

modernform

Annual Report

MODERNFORM GROUP
PUBLIC COMPANY LIMITED

รายงานประจำปี 2562

บริษัท โมเดิร์นฟอร์มกรุ๊ป จำกัด (มหาชน)

2019



mmodernform

www.modernform.co.th





We never cease to innovate for the better every day.

Over the past 38 years, Modernform Group Public Company Limited has been in the business of manufacturing and selling various types of furniture office, home, and kitchen as well as importing furniture components, accessories, and decoration. We never cease to innovate so as to offer products that provide better living and fulfill the needs of every lifestyle.

OUR VISIONS

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 collaboratio

Share high entrepreneurial spirit







Contents

004	Financial Highlights for the Year 2019
005	Message from Chairman of the Board
006	Report of the Audit Committee
009	Report of the Nomination and Remuneration Committee
010	Report of the Corporate Governance Committee
011	Policy and Business Overview
017	Nature of Business of the Company
021	Risk Factors
023	General Information of Company
027	Securities and Shareholders Information
028	Dividend Policy
029	Management Structure
056	Good Corporate Governance
065	Corporate Social Responsibilities (CSR) Report
070	Internal Control
075	Related Transactions
079	Financial Ratios
081	Management Discussion & Analysis (MD&A)
083	Statement of Director's Responsibility to Financial Statements
084	Independent Auditor's Report
087	Statement of Financial Position

Financial Highlights for the Year 2019

	2019	2018	2017
TOTAL REVENUES (Baht)	3,181,251,890	3,389,972,573	3,210,601,434
REVENUES FROM SALES, RENTAL,SERVICES (**EXCLUDED OTHER SERVICES),DESIGN SERVICES AND CONSTRUCTION(Baht)	3,101,499,911	3,298,832,955	3,081,845,337
COST OF SALES, RENTAL,SERVICES, DESIGN SERVICES AND CONSTRUCTION (Baht)	2,094,163,327	2,305,766,098	2,053,204,435
GROSS PROFIT (Baht)	1,007,336,584	993,066,857	1,028,640,902
EARNING BEFORE NON-CONTROLLING INTERESTS OF THE SUBSIDIARIES (Baht)	122,885,343	134,643,563	222,011,987
NET PROFIT (Baht)	125,713,859	137,155,719	215,616,130
TOTAL ASSETS (Baht)	3,617,668,205	3,784,122,488	3,893,559,985
TOTAL LIABILITIES (Baht)	1,286,525,096	1,393,862,503	1,334,952,070
NON-CONTROLLING INTERESTS OF THE SUBSIDIARIES (Baht)	11,891,746	18,046,047	22,658,485
EQUITY ATTRIBUTABLE TO THE OWNERS OF THE COMPANY (Baht)	2,319,263,363	2,372,213,938	2,535,949,430
PROFITABILITY :			
Gross profit margin (%)	32.5	30.1	33.4
Net profit margin (% Per Sales, Rental, Services(**Excluded other services) Design services and Construction)	4.1	4.2	7.0
RETURN ON INVESTMENT :			
Return on total assets (%)	3.4	3.6	5.7
Return on equity (%)	5.3	5.5	8.6
LIQUIDITY &STABILITY :			
Current ratio (Times)	2.3	2.1	2.2
Debt to Equity ratio (Times)	0.6	0.6	0.5
PER SHARE DATA :			
Number of shares (Registered)	809,646,280	809,646,280	809,646,280
(2017: 809,646,280 ordinary shares of Baht 1 each)			
Number of shares (Fully paid)	750,000,000	750,000,000	750,000,000
(2017 : 750,000,000 ordinary shares of Baht 1 each)			
Par value (Baht/Share)	1	1	1
Book value (Baht/Share)	3.11	3.19	3.41
Net profit(EPS) (Baht/Share)	0.17	0.18	0.29
Dividends (Baht/Share)	0.17*	0.20	0.30

Note: * The Meeting of the Board of Directors of the Company No.1/2020 held on February 27, 2020 passed to pay dividends for the 2019 operating year to shareholders of the company at a rate of 0.17 Baht per share. Hence the interim dividend has been paid at a rate of Baht 0.05 the remaining value of Baht 0.12 per share will be paid to a shareholders as dividend. The matter will be proposed for approval at the Annual Ordinary General Shareholders Meeting No.1/2020 on April 23, 2020.

** In 2019 and 2018, the calculation of gross profit margin and net profit margin will not calculate other service income included in service income such as consulting fee and internal audit fee, amount 7,576,948 and 6,400,625 baht respectively.

Message from Chairman of the Board

2019 was the year where the industry and the business in general suffered from local and international economic downturn, which unfortunately has failed to show any rebound signal yet at least in the near future. That has made us very prudent when it comes to our business management in order to maintain steady returns to our shareholders.

Regarding our operation result in 2019, overall speaking, we were still able to grow and generate revenues and we were able to pay dividends twice annually as we usually did. In addition, the company was able to manage liquidity very well as reflected through our strong liquidity position where we had had a chance to invest in new businesses for long-term benefit.

In 2019, we strived to develop our products, sales and marketing and be resilient in adjusting our strategy to accommodate intensive competitions and evolving technology through increasing collaboration with local and international partners. We are confident that in 2020, we will still be able to perform well by adhering to the way the business is developed as well as by strengthening our cost management and technological capability and by increasing investment in new businesses for our sustainable growth.

In addition, we remain actively committed to social and environmental development starting first from the design stage to when raw materials are chosen, production process, sales and services till the products reach consumers, where we take into consideration our responsibility and impact to the environment and social wellbeing. We have organized internal activities to promote, among our employees, awareness to provide social services voluntarily to the society with specific focus on education, health and community sanitation areas.

On behalf of the Board and the management, I wish to thank our colleagues, customers, suppliers, shareholders and everyone who have continued to trust and support us throughout the years.



(Mr. Thaksa Busayapoka)

Chairman and Chief Executive Director

Report of the Audit Committee

Appointed by the Board of Directors, Modernform Public Company Limited's Audit Committee consists of three independent directors, namely, Mr Suchart Thammapitagkul, who is the Committee's Chairman, Mr Kittichai Lattisophonkul and Mr Surachai Sonthirathi, both of whom are committee members. The three command expertise and experiences in organization management, law and accounting.

The Audit Committee independently performed its duty in accordance with its scope of responsibility entrusted by the Board of Directors. The Committee helped review Modernform's corporate governance principles and ensure its compliance with the best practices set by the Office of Securities and Exchange Commission (SEC). In 2019, the Audit Committee convened four times with the attendance of Senior Executive Vice President, finance and accounting as well as company auditors to review related financial information, acknowledge the auditing report, consider financial information and recognize the auditor's opinions given to Modernform's financial statements and other material matters including connected transactions or items that could result in a conflict of interest against Modernform. The Audit Committee also provided recommendations on risk management and internal control and encourage Modernform to comply with the best practices of listed company for implementation of its corporate governance in a sustainable manner. Meanwhile, results of every meeting were reported to the Board of Directors. The Audit Committee's performances and opinions can be summarized as follows.

1. Review financial statements

The Audit Committee reviewed both quarterly and annual financial statements together with Modernform's auditors, Executive Vice President, finance and accounting and Internal Audit Division Manager. The review focused at major issues where useful opinions and advices were given to ensure that Modernform's financial statements were in compliance with the Generally-Accepted Accounting Principles (GAAP) and the International Financial Reporting Standards (IFRS). In addition, the

Audit Committee oversaw that financial statements were comprehensive and accurate and that essential financial information of Modernform itself as well as of its subsidiaries and associated companies was adequately disclosed while observations, clarification, recommendations and solutions were properly given and acknowledged. The Audit Committee agreed with the auditors that Modernform's financial statements were accurate especially in relation to its essence. They were also transparent, reliable and that concerned information was adequately and appropriately disclosed. A review on the accounting policy was made and an appropriate policy was selected to reflect Modernform's business nature, which was also corresponding to the GAAP. As of 31 December 2019, Modernform's financial statements were audited, reviewed and given an unconditional opinion by independent certified public accountants (CPA).

2. Review connected transactions or items with potential conflict of interest

The Audit Committee also reviewed opinions in relation to connected transactions or items with potential conflict of interest of Modernform itself and of its subsidiaries so that they were in compliance with relevant regulations and laws. This was to ensure Modernform's compliance with usual business conditions. In addition, items qualified as connected transactions or those with potential conflict of interest taking place during the year were also reviewed. Information of these transactions was scrutinized to ensure that they were accurate and complete as required by the Stock Exchange of Thailand (SET) by taking into consideration transparency, rationality and maximum interest of Modernform, shareholders and all stakeholders.

3. Reviewing the internal control system

The Audit Committee 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 2019, 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

The Audit Committee reviewed Modernform's operation to ensure that its management was in compliance with the principles of good corporate governance. The purpose of the review was to promote fair and transparent operation that would create trust and confidence of stakeholders.

5. Reviewing legal and regulatory compliance

The Audit Committee reviewed Modernform's operation to see if it's in compliance with the laws on securities and exchange, the Stock Exchange of Thailand's rules and regulations and other related business laws while recognizing regulatory changes that may affect Modernform's business.

6. Appointing and setting auditor's 2019 remunerations

The Audit Committee reviewed the appointment of auditors as well as set their remunerations before submitting these details to the Board to seek approval from the Annual General Meeting of Shareholders. Auditors had been selected based on their knowledge, competency,

experiences and performances. Their independence and impartiality was also evaluated as part of the review.

The Audit Committee eventually selected EY Co Ltd as Modernform's auditor and set the auditing fee of the 2019 financial statements to Baht 2 million, which represented a 2.6% increase from the previous year. Of this, Baht 190,000 accounted for each quarterly auditing fee totaling three quarters while the auditing fee for the end of the year period amounted to Baht 1.43 million. In addition, EY Co Ltd had been the auditor of Modernform's other six subsidiaries and associated companies, namely, Modernform Tower Co Ltd, Rafa Associates Co Ltd, Modernform Health and Care Public Company Limited, UICC Co Ltd, Itoki Modernform Co Ltd and Workscape Co Ltd. In the end, the 2019 Annual General Meeting of Shareholders resolved to appoint EY Co Ltd as the auditor as proposed by the Board. Details are as follows.

Ms. Rungnapa Lertsuwankul	CPA License No.3516 or
Ms. Pimjai Manitkajohnkit	CPA License No.4521 or
Ms. Rosaporn Decharkom	CPA License No.5659 or
Ms. Sumana Punpongsanon	CPA License No.5872

The Company and six subsidiaries and associated companies 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. Supervise the Internal Audit

The Internal Audit Department each year before being submitted to the Audit Committee to review and revise during the year under the risk management framework. The internal audit plan covered crucial work processes with high risk exposure. The Audit Committee also evaluated the Internal Audit Department's performance based on its quarterly report. It offered advices and monitored timely remedy for material issues indicated in the auditing report. The Audit Committee also promoted independence of the Internal Audit Department by allowing it to accurately, fairly and efficiently express audit opinions

to underline assurance and the Department's counseling role to other departments. The Audit Committee also assessed appropriate manpower and approved an annual budget to train internal auditors in order to promote professional practice and enhance auditing quality to meet the International Standards for the Professional Practice of Internal Auditing while strictly complying with Charter No.3/2557 of the Internal Audit Department.

8. The Audit Committee worked to enhance quality of communication among itself,

Modernform's auditors and the Internal Audit Department. Auditors attended the meeting with the Audit Committee as well as executives from the Internal Audit Department and the Accounting and Finance Department on a quarterly basis without the management's presence. They reviewed financial statements to reflect new accounting standards that concerned Modernform as well as discussed issues raised by the auditor. The Internal Audit Department also monitored any remedy on a project-by-project basis and regularly reported its monitoring results to the Board on a quarterly basis. In addition, both internal and external auditors were encouraged to directly express their opinions, report what they had found in the auditing and follow up with issues advised for remedy as well as problems and impediments found during the auditing that could affect the efficiency.

9. Minutes of the the Audit Committee's Meetings

The Board of Directors required that the Audit Committee convene at least four times a year on the same day that the Board of Directors' meeting was held to review quarterly financial statements, connected transactions as well as transactions with potential conflict of interest and to also report performances of the Internal Control Department, all of which would be submitted to the Board of Directors' meeting for acknowledgement every time the meeting was held. The Audit Committee provided advices proven useful for the management who subsequently re-adjusted their actions to reflect these recommendations.

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.



Mr. Suchart Thammapiatagkul
(Chairman of Audit Committee)

Report of the Nomination and Remuneration Committee

The Nomination and Remuneration Committee consists of five executive directors and independent directors. The Committee has performed duties entrusted by the Board as stated in its charter whereby it recruits and nominates candidates to become Modernform's directors and senior executives. The Committee also proposes remuneration policies including other benefits for the Board of Directors, the Executive Board and high-level executives to the Board of Director and the Annual General Shareholder Meeting.

In 2019, the Nomination and Remuneration Committee convened two times to consider various matters, report meeting results and advise the Board on a continuing basis. Details are as follows.

1. To nominate four candidates with right qualifications as directors to replace those who would leave on rotation. To promote the corporate governance policy, the Board on this occasion allowed shareholders to nominate those with proper qualifications based on the criteria set by Modernform during the period between December 13, 2018 and 18 January 2019. Yet, no shareholder proposed any candidate. The Nomination and Remuneration Committee, having considered necessary qualifications and Modernform's best interest, was of the view that directors who were about the leave on rotation were fully qualified based on the Public Limited Company Act. Besides, they were knowledgeable and possessed experiences found beneficial to Modernform's business. Not only that they were visionary and had impeccably performed their duties, their meeting attendance records were outstanding and they contributed excellent ideas to the meeting. The Committee therefore decided to propose that the four directors whose term were about to be due on rotation be re-appointed as company directors for another term. This was proposed to the Annual General Meeting of Shareholders No. 1/2019 held on April 23, 2019.
2. To determine the 2019 remunerations of both the Board of Directors and the Audit Committee and submit them to the Annual General Meeting of Shareholders No. 1/2019 for further approval. Meanwhile, the remunerations of the Board of Directors and the Audit Committee were considered on the basis of their roles and responsibilities in handling Modernform's performance. Comparison was also made with remunerations offered by companies within the same industry based on the Stock Exchange of Thailand's survey report on director's remunerations.
3. To determine remunerations of senior executives in the position of Vice President and higher based mainly on the standards of listed companies, Modernform's own performance, the economy in general and the corporate governance policy.

The Committee has performed its duty with competency, prudence, thoroughness and transparency for maximum benefit of Modernform, its shareholders and other stakeholders.



Mr. Thaksa Busayapoka
Chairman of the Nomination and Remuneration Committee

Report of the Corporate Governance Committee

Having recognized the importance of corporate governance, the Board of Directors of Modernform Public Company Limited, in its meeting No. 7/2562 held on November 12, 2019, resolved to appoint the Corporate Governance Committee to support its performance in overseeing corporate governance practices based on the principles of good corporate governance.

The Corporate Governance Committee consists of at least three board members, one of whom must be an independent director, as well as advisors or executives for a total of at least five members. The Committee's chairman must be an independent director whose term is three years each. The Committee shall convene at least once a year with the following details:

- | | |
|------------------------------------|-----------------------|
| 1. Mr. Surachai Sonthirathi | Chairman of Committee |
| 2. Mr. Kittichai Lattisophonkul | Director |
| 3. Mr. Patana Usanachitt | Director |
| 4. Mrs. Somrak Chotibhongs | Director |
| 5. Ms. Natcharinthorn Siri wattana | Director |
| 6. Ms. Nongluck Leerakul | Director |

Ms. Penpun Kasetsiri as a Secretary of Corporate Governance Committee

The Corporate Governance Committee will perform its duty under the scopes of roles and responsibility entrusted by the charter already approved by the Board. In 2019, the Committee did not yet convene a meeting, for it had been newly appointed. However, it commits to enhance Modernform's corporate governance affairs to create sustainable value to our business, nurture confidence among investors and strengthen growth and stability for the benefit of shareholders, all stakeholders and the society at large.

(Mr. Surachai Sonthirathi)

Chairman of Corporate Governance Committee

Policy and Business Overview

Modernform's vision is to "strive and create new innovations that inspire the art of living and quality work life. With the goal to strengthen our business and make it sustainable, we wish to be a leader in the furniture business through our products and services designed to enhance quality to living and working life for medium to high-end consumers as expressed through our home and office furniture, kitchen furniture and home decorative items. We aim to continue our sales and marketing strategies that will introduce new innovative items through our core businesses whether it's the Acoustic, sound absorption innovation, our ReadyDor ready-made doors and hardware, or outdoor flooring innovation materials in our M-Deck product. In addition, we are ready to expand into decoration business whether it's about lift or fade decoration. We recently launched a new philosophy and work concept known as "The Way We Work" in our office furniture, which have made us the industry's first to introduce the virtual reality office innovation and the device-based meeting space management for meeting room reservation to the office furniture market segment. All undertakings underline our position as a true workplace solution provider in the market.

In addition, our expansion in new businesses still very much focuses at industries, education institutes, hospitals, hotels and government agencies where we continue to mainly generate sales through projects, which account for 75% of our sales, while the remaining 25% is through retail. We still emphasize at our sales showroom to service walk-in customers and to retain the quality image of our brand. We have the Modernform Furniture on Srinakrind Road Branch, Crystal Design Center (CDC) next to the Ramindra Expressway, Modernform Furniture on Pleonchit Road and Modernform Outlet designed to penetrate medium and low-end customers as well as industrial estate clients. We also have contract sales offices at Pattaya and Rayong to offer sales services to customers in the areas. Finally, as we strive for sustainability, we focus at nurturing our Modernform brand to highlight a unique identity that represents quality, modernity and refinement in every work process. We aim to create products and services to fulfil quality of life and create an elegant lifestyle while offering product guarantee to express our responsibility to consumers and the society.

In addition, Modernform plans to invest in businesses proven beneficial to our major undertakings. This includes, among a few, investment in an architectural design service in Rafa Associates Co Ltd; investment in the health & care furniture business via Modernform Health and Care Co Ltd and, in the latest development, investment in Chiwa Mitra Hospital, a cancer treatment hospital in Ubon Ratchathani Province. The hospital, which is operated by UICC Co Ltd., is co-founded by Modernform Health and Care Co Ltd and a team of cancer specialists in the northeast. Other investments include a joint venture with Itoki Corporation Co Ltd from Japan to form Itoki Modernform Co Ltd to sell office furniture to a niche market of Japanese customers in Thailand and neighboring countries; a venture in Architectura Co Ltd to expand our presence in premium home furniture and our expansion into the digital business via Headbot Co Ltd, a platform for chatbots; and Finstreet Co Ltd, a technological platform for financial planning. The latest invest in Workscape Co Ltd newly established company to expanded market share in medium and low-end furniture market.

Short-Term Goals

As we commit to be an innovation leader to bring happiness and quality of life to workplaces and residences, we have the following goals:

- Expand our market base to reach new target groups through the rebranding;
- Develop new products and improve existing products by focusing on research and development to remain competitive and by creating different values compared to our competitors' to respond to retail and project customers, designers and contractors;
- Invest in companies that provide service support to reach other groups of clients such as the hotel and school businesses;
- Increase investment in factory and customer service management by improving our efficiency;
- Increase the ratio of our health-related business by offering technology-based products and services for patients, senior citizens and medical staff.
- Enhance investment in interesting businesses that align with our vision.

Long-Term Goals

The Modernform Group remains focusing on expanding into businesses proven complementary to our furniture business. Our goal is to make our customers more diverse with a purpose to strengthen the business and services. We emphasize at creating new innovations that answer to new lifestyles while continuing to invest in other investments. The management also underlines social, community and environmental responsibility and sustainable operation.

Business Operation in 2019 and Future Plans

Product Development

Office Furniture : We developed new products to make workplace environment feel casual and to respond to the needs of SMEs, start-up businesses, co-working space that had expanded dramatically and large corporations that tended to expand recreational areas for their staff. We continued to recruit business partners to co-develop projects and expand markets through new products, one of which was Smart Locker designed for office and public space customers. One of our pride as a result of our focus on design development was the two awards given to us by the European Product Design Award for our “Capcon” office furniture. We were bestowed the Silver Award for the Design for Society/ Design for Social Impact category and the Bronze Award for the Design for Sustainable Living/Environmental Preservation/ Urban Sustainable Design category, which recognized our intention to offer innovative office furniture to a new generation of workers. The Capcon furniture was also displayed at the 2019 Association of Siamese Architects (ASA) event.

Home and Kitchen Furniture : Modernform continued to sell home and kitchen furniture to large property development projects while simultaneously expanded our presence into new markets by increasing our service capability and designs. This applied especially to the hospitality business such as hotels and hospitals to which we offered fully-finished interior decoration service and acted as an advisor to design work processes, interior decoration and movable furniture and accessories in patient’s room, doctor’s room, examination room and common area. Modernform also selected new innovative materials that highlighted consumer’s health such as chromium-free and metal-free genuine leather, mite-guard furniture protection fabric and Microgel innovation. In 2020, we will work on setting material standards for products made of genuine leather where only chromium-free leather will be used.

Architectural Items : We enhanced product quality to cover all kinds of customer’s needs to position ourselves as the solution provider. In 2019, we introduced fire-retarded Readydor door pane products, which were tested and certified to resist fire up to 120 minutes. We penetrated the hotel business, the real estate industry and high-ended residential building projects that looked for safety alternatives. In addition, we expanded and up-scaled our products in the decorating door product group. We curated different architectural items as new options for customers to choose from, which we expected to be well received.

Production

In 2019, the competition was even higher compared to a year ago due to the economic slowdown and pricing competitions from our rivals. As a result, we underlined the importance of production planning, waste material control and enhancement of production efficiency. Waste in the production process was reduced to minimize competitive costs. Product quality and delivery was subjected to required standards. The information technology was introduced to automatically calculate production formulae, control production process and review back-office support procedures. The pilot run system was implemented to produce a product sample before it was actually manufactured to reduce the reworking and defect from the production process while increasing production continuity, which therefore lowered total production costs.

In the area of product packaging, we tried to develop flat packaging to accommodate future e-commerce to cut transportation costs in customized products.

Regarding our engineering development, Modernform analyzed machine and technician capability and focused on tool and machinery maintenance to ensure that they were always ready for use.

To prepare ourselves for digitalization, we introduced the planning and real-time reporting technology that could display production information and situation, produce an overall plan and report machine breakdown information and machine capacity to everyone involved in the process all at the same time, which should improve the analysis and efficiency.

Costs of each production station were compared and assessed whether they could produce up to the required policy. We will continue to lower the inventory management target next year where some raw materials will be used to produce furniture for sales at our outlet.

We successfully collaborated with a paint company to develop water-based environmentally friendly paint with an exclusive formula in late 2019. We are currently testing the paint quality before starting its actual production.

Overall speaking, we were able to continuously increase production efficiency and reduce production costs thanks to our adjustments in 2019 by focusing on teamwork, coordination and technology to prepare ourselves for more dramatic changes and competitions in 2020.

Marketing, Sales and Distribution

Home and Residential Furniture Market

The 2019 real estate market continued to flop due to the weakening economy, which made consumers postpone their investments in condominiums while the market itself suffered from product oversupply. As a result, it failed to reach the target anticipated by real estate developers. Each project had to compete with their peers through intense sales promotion campaigns to load off the existing inventories. Tax measures offered by the government to induce consumers to transfer property ownership was not as effective as expected.

Regarding the home furniture products, overall speaking, the new market expanded by 5% while exported fell by 17% from the previous year due mainly to the weakening market conditions that pressured several projects to postpone their product delivery. Sales in retail markets slightly increased. Regarding project clients, we adjusted our sales teams to penetrate the hotel and service apartment projects such as Oakwood Residence, Siam Kempinski, Staybridge, Summerset as well as hospital projects, which enabled us to increase our sales.

We penetrated the living wellbeing furniture market initially through the Sense Series sofa collection made of chrome-free genuine leather. We also launched the mite-guard fabric to health-conscious customers. In the future, we plan to use only chrome-free genuine leather in our sofa product.

In addition, the Smart Series furniture was launched and exclusively targeted condominium owners. The furniture was small but full of practical utilities to make it ideal for small space.

Regarding built-in furniture, our System Furniture was positioned as an option for customers who wanted customized furniture that suited their home space. The System Furniture

offered closet, bookshelf, display cabinet and entertainment unit. In addition, we provided the home stylist service consisting of a designer team to provide interior decoration advices to customers.

Office Furniture Market

In 2019, office space in Bangkok increased 2% from a year ago. Of this, 50% was new space expanded in the CBD area while the rest was in the non-CBD area. Rental rate of office space in the CBD rose 4% with an average price per square meter per month totaling Baht 1,057. This indicated that international or large corporations had continued to invest and expand their offices here.

However, SMEs and start-up businesses that had rented pricey office space in Bangkok continued to postpone expanding their offices. Some opted instead to use the co-working space, which rose to 130 locations in Bangkok with an increase of 17,000 square meters of space or 15% from 2018.

Sales of our office furniture to retail customers rose very little by 10% only as a result of the economic slowdown and new rivals importing furniture from China to sell online, which enabled consumers to comfortably compare prices and try it. Modernform had added an online e-commerce channel to increasingly access retail customers since June 2019.

The growth rate of our project sales was quite healthy compared to a year ago thanks to the election held in March, which led the government to implement its policies. In addition, the public sector expanded its offices and revamp its image, which made more furniture being delivered to government agencies, and this will continue into 2020. We also expanded our furniture market to public and private hospitals especially new hospital projects that focused on impact and service quality and pricing was not a single factor for them to buy the furniture. That's why our furniture answered to the needs of this group of customer. In addition, together with a start-up company, Modernform developed the Smart Locker, which could be unlocked through the touch screen or face detection technology. The product resolved the problem of space shortage and offered the much-needed security. It was warmly welcomed by corporate and designer customers during the 2019 ASA event.

Logistics

Following the restructuring of our service team and the setting up of our training center, Modernform staff was able to better understand their roles and responsibilities as well as the inter-department workflow and coordination. Their work was as efficient as anticipated. Expenses were reduced and met the goal and personnel performance was better across-the-board. The same team was able to install home and office furniture with accuracy and speed. In terms of warehouse, products were clearly classified in groups, resulting in more space to store products as well as cleaner and more orderly space, which increased speed and accuracy for the storage and delivery of products.

In 2020, we plan to introduce technology to increase management efficiency to achieve better accuracy and sophistication, especially in the area of delivery planning and installation, where planning and real-time technology on tablet and computer screen will be introduced so that everyone can access the information at the same time. The warehouse will see an increase of technology and tools for a more effective stock counting as well as the better receiving and disbursing of products.

Overseas Business

In 2019, we re-focused our export direction by entirely shifting from the Original Design Manufacturer market (OEM) to the project client market instead so that we could focus on customer service, one-stop shopping, qualified craftsmanship and on-time delivery. Together with architects and designers, we produced furniture that Modernform had expertise and production experiences for so many years. We continued to expand the market in the Asean Economic Community (AEC) although the growth in Myanmar, Laos and Vietnam was minimal. Our distributors in Cambodia and Vietnam should be able to grow slowly with us in a better direction with more clarity in 2020.

Import and Distribution Business of the Home Decorative Products

The market in 2019 remained competitive. Together with changes of both domestic and international economic conditions as well as consumer behaviors and tastes, we needed to constantly adjust our strategy by scouring new

innovations, making our services more comprehensive as a choice for customers to select, enhancing facilities and adding new products and services to our portfolio. New products were added onto the knockdown furniture segment, Hi-macs synthetic stone featuring natural stone patterns, Interface flooring, Floover rubber tiles, Verona composite stone, ReadyDor door panes and M-Deck artificial wooden floor. Other services included designing and installing M-D_cor decoration in passenger elevators, which was well received by potential customers. We also developed magnesium panels, which was originally applied to fire-retarded ReadyDor door panes only, to be used with furniture, wall and ceiling work where bigger and thicker magnesium panels were used to accommodate the needs of customers eyeing for high-level safety.

In 2020, Modernform will continue to seek new innovations offering a variety of quality and diversity as well as invest in new tools and machinery to accommodate our installation and delivery work.

IT Development

In 2019, we further developed the MOS (Modernform Operation System) in the following fields:

- Project controller system to increase speed and accuracy for project work starting from cost estimation and calculation to cost comparison with actual expenses, counterchecking work procedures with plans previously made with clients, report producing and business intelligence analysis using Microsoft Power BI for easier of and speedier computerized access.
- Online Document on Cloud where the cloud was used to store information for out-of-office work.
- Paperless office and a leaner work process where an IT system replaced manual work to reduce redundancy.
- Transformation of our financial system into an electronic one and connecting it with the banking system.

In 2020, we plan to continue tacking our IT from what we finished in 2019 and will also do the following:

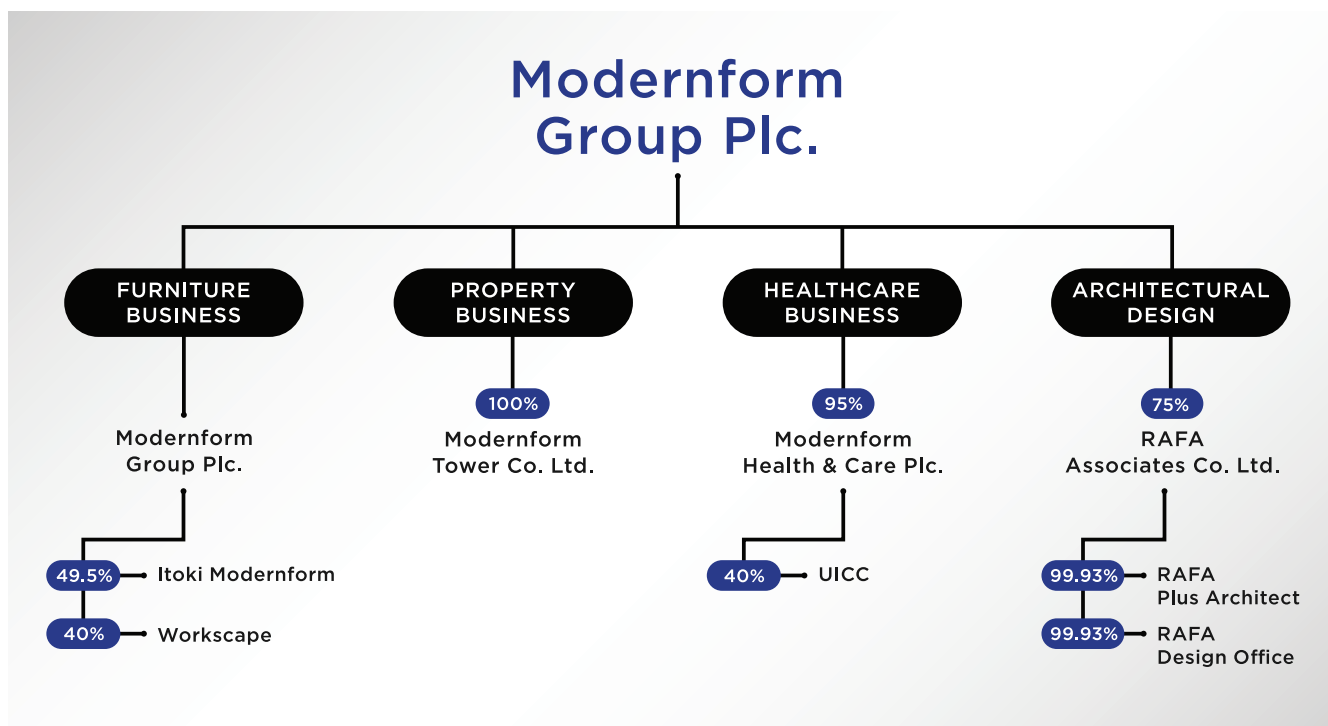
- Project controller system where all analysis reports will be made in a form of dashboard for project work.
- Data science: data will be kept for further analysis and for use in a decision-making process in an easy-to-understand format.

- A management report on cloud will be made for an easier access.
- The production system of Production Line 1 will be developed so that its production status can be monitored at all times.
- The paperless project with a goal to reduce work process in continuation from what was done in 2019.
- Transforming our call center into a digital format to accommodate the 2020 work plan and to connect our CRM.

HR Management

Details of the human resource management are under the Management Structure topic.

The Shareholding Structure of the Company Group



The Shareholding Structure of the Company Group

Modernform Group Public Company Limited (MODERN) operates a comprehensive furniture business over 38 years which produces office furniture Modernform Workplace and residential furniture and decoration Modernform Exclusive Living, Modernform Kitchen and READYKITCH instant cement kitchen. 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 and floor tile “Modernform Home

Decoratives” and after sale service under the company operation.

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 1989 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 still is at 100%

2. Modernform Health and Care Public Company Limited (MHC)

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 95 percent of baht 150 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 and transformed into a Public Company on May 15, 2018.

3. Rafa Associated Company Limited (RFA)

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. Itoki Modernform Company Limited (IMC) Found in April 2015. Located at 699, Modernform Tower 22 floor, 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 30 million registered and paid-up capital of the company at Baht 1,000 par value per share.

5. Workscape Co Ltd (WKS) Founded in February 2019, Workscape manufactures and distributes furniture and all kinds of office decoration items. Modernform holds 40% shares in Workscape of which the registered and paid-up capital is Baht 60 million at a par value of Baht 100 per share. The office is located at 51, Moo 5, Bangkruay-Sainoi Road, Bangsithong Sub-District, Bangkruay District, Nonthaburi Province.

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

Nature of Business of the Company

The revenue structure for the years 2017 to 2019 from the operations of the Company and 3 Subsidiaries can be divided into 4 business groups.

Product Range / Business Group	Operated by	Shares (%)	2019		2018		2017	
			Mil. Baht	%	Mil. Baht	%	Mil. Baht	%
Furniture Business - Office furniture and Residential furniture - Furniture fittings : composite stones, carpet tile and engineering wood	Modernform Group Public Company Limited	-	2,186	69	2,346	69	2,113	66
			514	16	558	17	597	19
Space rental and services Business	Modernform Tower Co., Ltd.	100	88	3	83	2	81	3
	Modernform Group Public Company Limited *	-	5	0	8	0	2	0
	Modernform Health & Care Public Company Limited *	95	3	0				
Health Care Business **	Modernform Health & Care Public Company Limited	95	270	9	270	8	247	7
Architectural design	Rafa Associates Co., Ltd.	75	43	1	41	1	42	1
Miscellaneous ***	-	-	72	2	84	3	129	4
	Total		3,181	100	3,390	100	3,211	100

Note : * Service income for Modernform Grop Plc. and Modernform Health & Care Plc. is other service income collected under agreement, including consulting fee, internal audit fee and etc.

** Healthcare business for Modernform Health & Care Plc. has income in the distribution of healthcare furniture, design and construction service for operation room and laboratory in hospital.

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

Nature of Products

1. **Furniture business** has 4 main products groups as follows.

1.1 **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 including Co working space furniture.

A portion of Modernform Workplace's consumer group includes architects, contractors, interior decorators, developers, the government sector,

hospitals and educational institutes are large consumer group, possessing a substantial budget in purchasing a significant volume of office furniture and equipment. Another group of consumers is individual customers or end users or SME company owners who desire quality products and services. Their orders are usually placed throughout the year, with high volume at the beginning and end of the year, and directly through showrooms.

1.2 **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.

- 1.3 **Kitchen Furniture Modernform Kitchen** -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.

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.

- 1.4 **The home decorative product business** Modernform Home Decorative Products is one of Modernform's main business units that brings differentiation and variety to customers. The business imports, manufactures and distributes quality innovative products from countries such as Germany, Italy, Spain, Austria, Denmark, United States, China, Singapore and Malaysia for Modernform's own manufacturing and for local distribution to the third party and to retail customers. The home decorative products include furniture fitting and accessories ranging from handle to hinge, lock, drawer rail, sliding door, surface materials, sink, faucet, bathtub and kitchen equipment. We are ready to expand our house brand known as "Home." In addition, we also distribute ready-made doors and hardware under the ReadyDor brand, flooring materials such as Interface Vinyl tiles and carpet, LG Hi-Macs synthetic stone, Verona Stone marble and composite quartz, Floover Luxury Vinyl Tile (LVT) and M Deck outdoor wooden materials that can be easily installed with its Click Lock system copyrighted from Italy. At the other end, the company has actively expanded its business to decoration items ranging from facade decoration to exterior building structure and elevator decoration for different touch and feel.

2. **Space rental and service business** - This business is operated by Modernform Tower Co Ltd, which offers office, showroom and warehouse rental service located on an area of 3-0-35 square wah for a total rentable area of 28,000 square meters. This is divided into parking space, food center, office space for customers in general to rent as well as showroom and office space rented by Modernform Group Public Company Limited. Currently, there are more than 10 companies as its tenants.
3. **Health care business** - Managed by Modernform Health and Care Public Company Limited, the business was founded in 2005 to manufacture, distribute, import, export, repair and rent health-related products including equipment and tools for use in hospitals, hospices and homes. In the latest development, a cancer treatment hospital named Chiwa Mitra Hospital was built at Ubon Ratchathani Province as a private hospital. Currently run by UICC Co Ltd, the hospital is a collaboration between Modernform and a team of cancer specialists in the Northeast.
4. **Architectural design** - This business is run by Rafa Associates Co Ltd, which offers advisory services on architectural design, architectural landscape and construction supervision. The company also acts as a holding company to hold shares in limited partnership, limited companies or public limited companies.

Market conditions and competitions

The 2019 Economy The furniture and home decoration business grew around 10% from its usual annual rate of 10-15% due to the fact that the Thai economy had not yet fully recovered. However, the office furniture market grew quite strongly thanks to the presence of office building developers in the market especially in the mid- and high-end segments, which were very much supported by the expansion into the Asean market where there were lots of activities in property, residential as well as hotel and resort development. This in turn benefited Thai furniture producers and exporters, for Thai products had been renowned for its beauty and quality and they were highly recognized overseas. However, the prospect of the lower-end market was not that bright due to persistently high level of household debts, which made consumers careful about their spending and opted to spend money on necessary items only. In addition, product styles in the low-end market were not that attractive since consumer focus was hazy,

making its competitiveness weak compared to high-end products that strongly underlined design and quality. In 2019, the furniture industry continued to grow from the previous year thanks largely to the emergence of new condominium and other real estate projects especially in Bangkok along the city's mass transit commuter lines. In addition, investments in the special economic zone led to increasing investment in property in the eastern region of Thailand. Consumer behavior also benefited the industry as more and more people chose instead to shop online after having had more confidence in its safety, whether it's about product quality, payment and delivery where a higher variety of products could now be delivered home. Moreover, packaging has been designed to accommodate larger, bigger products destined for home delivery.

Regarding risk factors and overall competition in the retail furniture market, in 2019, competition remained high in mid- and high-level market segments due to the entering of new players into the market, which led to pricing and production competitions. Businesses needed to focus more on innovation to come up with products that directly responded to consumer's needs and lifestyles. This in turn led to new investments in faster and more effective machinery. Competitions also came from China and Vietnam, who produced inexpensive furniture as a result of their competitive advantage in cheaper labor. Meanwhile, higher material costs means that Thai continued to lose its market share in the low-end market since this was the market where pricing remained a decisive factor when consumers made a purchase although Thai furniture was more recognized and well-received compared to that of China and Vietnam. Modernform has completed its restructuring of business model to strengthen and accommodate growth. We expanded our market base to capture the residential furniture portfolio, where more retail customers were focused on. We saw an opportunity to open new markets especially as a result of the emergence of new residential projects. Yet, our focus remained on middle- and high-end consumer groups since we found that the lower-end market was crowded with too many competitors and we definitely did not want to be entangled in the pricing war.

Regarding our marketing and competition scenarios, in terms of retail furniture at our Srinakarin showroom, we were able to attract new customers from sales promotion campaigns and advertisements through our website and social media such as YouTube or Facebook. Modernform

continued to adjust our strategic plans to remain a leader in the furniture market where we strived to produce and deliver goods and services that were highly differentiated from our competitors' while responding to the increasingly eclectic groups of consumers. We plan to focus more on social media to advertise ourselves since they are faster and they reach more diverse groups of consumers. We also re-launched our Modernform Furniture Showroom at Srinakarin Road under the new theme of "Metro Living Sensation," where personal stylists were on hand to offer decoration advices to customers. We plan to re-model and expand our Crystal Design Center (CDC) showroom in 2020 to almost 3,000 square meters in order to increase our market share. Right now, the new showroom is being designed. The latest showroom was just opened in Rayong Province to accommodate strong demands from new industrial estates emerged under the government's plan to promote the Eastern Economic Corridor (EEC).

Regarding our home furniture business, in 2019, we continued to deliver what we had promised to our project clients. We took part in proposing furniture design ideas to project developers starting from the conceptual design stage to when customers made a decision. In addition, we strengthened our sales teams to penetrate the hotel and serviced apartment market as well as the hospital segment in order to increase revenues. We have already penetrated the living wellbeing customer group to whom we introduced our Sense Series sofa collection, which was made of genuine, chrome-free leather; as well as mite-free fabric for health conscious consumers. In addition, we launched new products specifically targeted at condominium customers called Smart Stylist. To elaborate, the products were small enough to fit in small space but offered comprehensive, full-scaled utility. We also plan to introduce new System Furniture series, the semi built-in furniture, as an alternative to customers who may want some designed furniture, rather than the completely built-in one, to suit their space. This product will be accompanied by our personal stylist service to offer selection advice of furniture and accessories to customers.

In 2019, we developed product solutions and service solutions to answer to the use of office furniture in this digital age. The product solutions refer to furniture designed to accommodate the digital work style while marrying the concept of home and office furniture. This is done through the concept of "Working in TheCoolLivingPlace" and the "Office Automation," which we have co-created with a tech company

named Smart Storage, where storage is controlled through a mobile application or computer screen; and access is equipped with a pass code or the RFID to enhance safety. This has become our highlight of the year product in the office furniture category. As for the service solutions, we are the first office furniture producer to introduce technology to facilitate and enhance efficiency at the increasingly digitalized workplaces. In our latest move, we have joined hands with Exzy, a tech start-up, to offer the Space in Between (SI) service, where simulation of space is made to enable customers to see with their own eyes a possible result in the 360 environment. Thanks to the simulation, customers may design the space themselves by choosing products available in the product library before dragging and dropping them onto the simulation screen. What makes this SI project interesting is that designers and consumers are now able to collaborate more easily through the technology.

Nature of customers: Modernform's clients can be classified into two major groups, namely, retailers to whom we sell our furniture via showrooms, which account for 25% of our sales, and projects clients such as office buildings, residential condominiums, single houses or townhouses, hotels, hospitals, government offices, education institutes and state-owned enterprises, which account for the remaining 75% of

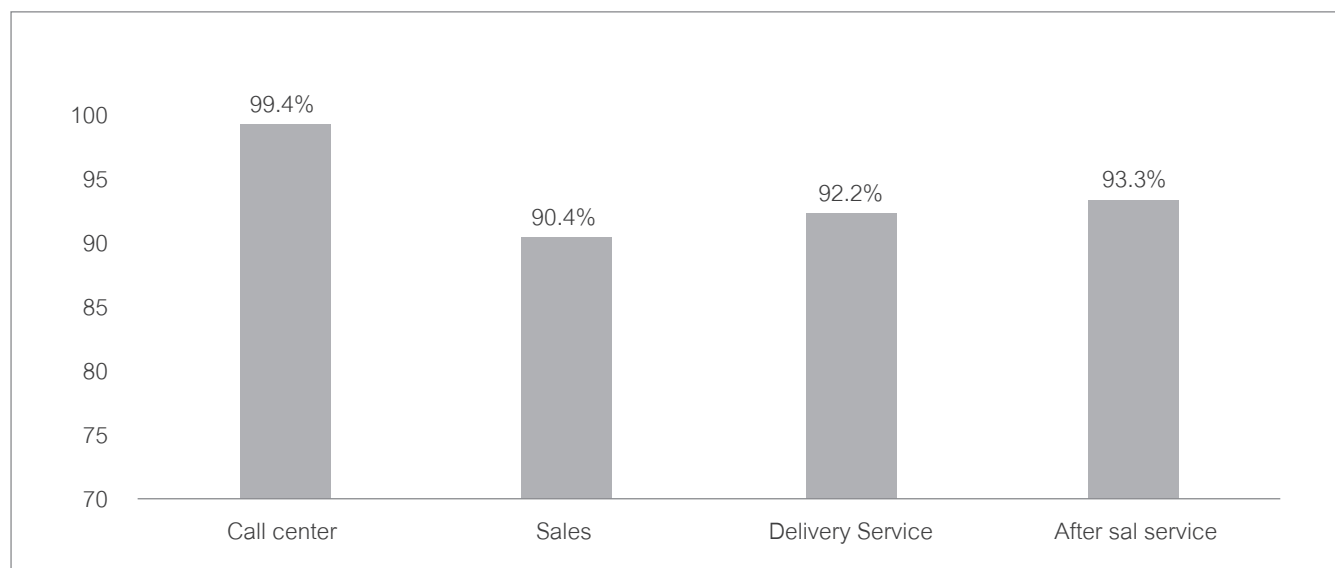
our sales. The second group is introduced to our furniture by designers, architects, interior designers or even business owners themselves. This enables us to command a wider customer base with high purchasing potential, reduce our risk to rely upon a particular group of customers and thereby constantly enhance our sales each year.

Customer Satisfaction Survey

Recognizing customer's satisfaction, Modernform conducted an end user survey of which the result would become part of our competition strategy. The survey results, concluded on an annual basis, would be analyzed for strengths and opportunities that could lead to the re-adjustment of our organization structure, all of which based on customer's perspectives. The survey would also enable us to develop further sales and service activities. In 2019, we conducted the customer satisfaction surveys in the following four areas:

1. Customer satisfaction with our call center staff
2. Customer satisfaction with our sales staff
3. Customer satisfaction with our products and delivery/installation staff
4. Customer satisfaction with our post-sales service

Customer Satisfaction Levels in 2019



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 2019, the company evaluated possible risks that could occur and may affect our operations as follows.

Risk from economic uncertainty

The Thai economy outlook overall for the year 2019 still not recovering. The company has adjusted the strategic plan by diversifying investments in a variety of businesses and looking for new business with growth opportunities revenue structure of Modernform and our subsidiaries at present relies upon several businesses including office furniture, home and kitchen furniture, sales of accessories, synthetic stone, carpet sheets and wooden floor, healthcare furniture and medical devices, office rental, architectural design and incomes from associated companies. That's why we could minimize risk from fluctuating business cycles suffered by different industries. In addition, collaboration with new partners also expands our horizon to widen business network and increase sale volume.

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 2019, the Company did have high liquidity and enough cash flow to accommodate its growth.

Modernform's financial risk can be categorized into 2 types as follows.

1. 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 6 months. 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.

2. 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 mal functioning. 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.

General Information of Company

Head Office and Production Units

Company Name	: Modernform Group Public Company Limited
Major Activity	: Manufacturer, Importer and Distributor of Knocked-Down Furniture to distribute in domestic and aboard including import furniture setting and interior decorative products
Company Registration	: 0107536000943
Registered Capital	: 809,646,280 Baht. (as of December 31, 2019)
Paid-up capital	: 750,000,000 Baht. (as of December 31, 2019)
Par value	: Baht 1
As at	: 31st December, 2019
Head Office Location	: 699 Srinakarindr Road, Phattanakan, Suanluang, Bangkok 10250
Telephone	: 0-2094-9999
Facsimile	: 0-2094-9950
Website	: www.modernform.co.th
Email	: co.secretary@modernform.co.th , ir@modernform.co.th and enquiry@modernform.co.th
Production Plants	: Production 1 33/2, 33/5 Bangna-trad Highway, Tambon Bangchalong, Amphoe Bangplee, Samutprakarn 10540 Tel. 0-2337-0222 Fax. 0-2337-0839 : Production 2 Plant A 5 Bangkhuntien Road, Kwang Sa-Mae-Dam, Khet Bangkhuntien Bangkok 10150 Tel. 0-2416-9802 Fax. 0-2416-4683 Plant B 622 Bangkhuntien Road, Kwang Ta-Kam, Khet Bangkhuntien, Bangkok 10150 Tel. 0-2897-2201-4 Fax. 0-2897-3739

Modernform's Showrooms and Distribution Outlets



Contract Sales Office

- Bangkok Modernform Tower, Srinakarindr Road.
- Pattaya Modernform Sales office, Banglamung, Cholburi.
- Rayong Modernform Sales office, Nikhom Phatthana, Rayong

Modernform Showrooms

- Modernform Furniture Srinakarindr Road branch
- Modernform Furniture Crystal Design Center branch
- Modernform Furniture Ploenchit branch (Office Furniture only)
- Modernform Outlet, Nawanakorn



Home Decorative Products Showrooms

- Modernform Furniture Crystal Design Center branch

Modernform's Dealers

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

Cambodia

Home Living
No. 160, Mao Tse Toung Blvd, Phnom Penh, Cambodia
Tel : +855 092 43 42 64, +855 092 99 67 17
E-mail : hcgroup@y7mail.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 : modernform.pmo@gmail.com

Suratthani, Southern Dealer

DFL Co., Ltd.
140/1 M.2 Tambon Makhantia,
Amphoe Muang, Suratthani 84000
Tel. (077) 272-555
Fax. (077) 288-655
Email : dfl.modernform@gmail.com

Songkhla, Southern Dealer

Three K Home Plus Co.,Ltd.
29 Karnchanawanich Rd., Tambon Hatyai
Amphoe Hatyai, Songkhla 90110
Tel. (074) 892-224
E-mail : sale.3khomeplus@gmail.com

References

(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**

Ms. Roongnapa Lertsuwankul	CPA No.3516
Ms. Pimjai Manitkajohnkit	CPA no.4521
Ms. Rosaporn Decharkom	CPA No.5659
Ms. Sumana Punpongsanon	CPA No.5872

EY Office Company Limited
193/136 - 137 Fl.33th 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

Securities and Shareholders Information

1. The Company's Security

As of December 31, 2019, the Company has registered capital of 809,646,280 baht, consisting of 809,646,280 common shares with a par value of 1 baht per share. The Company paid-up capital is 750,000,000 baht.

2. Major Shareholders

Top shareholders according to the Share registration book closing on October 4, 2019 are as follows:

Name of Shareholders	No. of shares	% Holdings
1. Mr.Thaveechat Jurangkool	41,605,800	5.55
2. Mrs.Chuleewan Vivaddhanakasem	34,101,840	4.55
3. Mr.Kavivud Nerngchamnong	27,504,000	3.67
4. Mr.Yothin Nerngchamnong	25,962,820	3.46
5. Mr.Chaiyot Paporn	21,219,063	2.83
6. Mr.Jajjai Dhammarungruang	20,600,070	2.75
7. Mr.Thaksa Busayapoka	19,846,000	2.65
8. Dhipaya Insurance Public Company Limited	19,511,600	2.60
9. Mr.Ongart Dumrongsakulwong	16,568,700	2.21
10. Ms.Sutheera Busayapoka	14,270,000	1.90

The free float of minority shareholders on March 18, 2019 (the day of the registration book closing by the Company for reporting the "Distribution of ordinary Shares Report Form" to SET) amounted to 5,694 shareholders, equivalent to 76.48% of the Company's paid-up capital.

Dividend Policy

The Company dividends policy is to pay dividend at not less than 60% of its consolidated net profits for each fiscal cycle after corporate income tax. It depends on the economic conditions and future operations.

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.

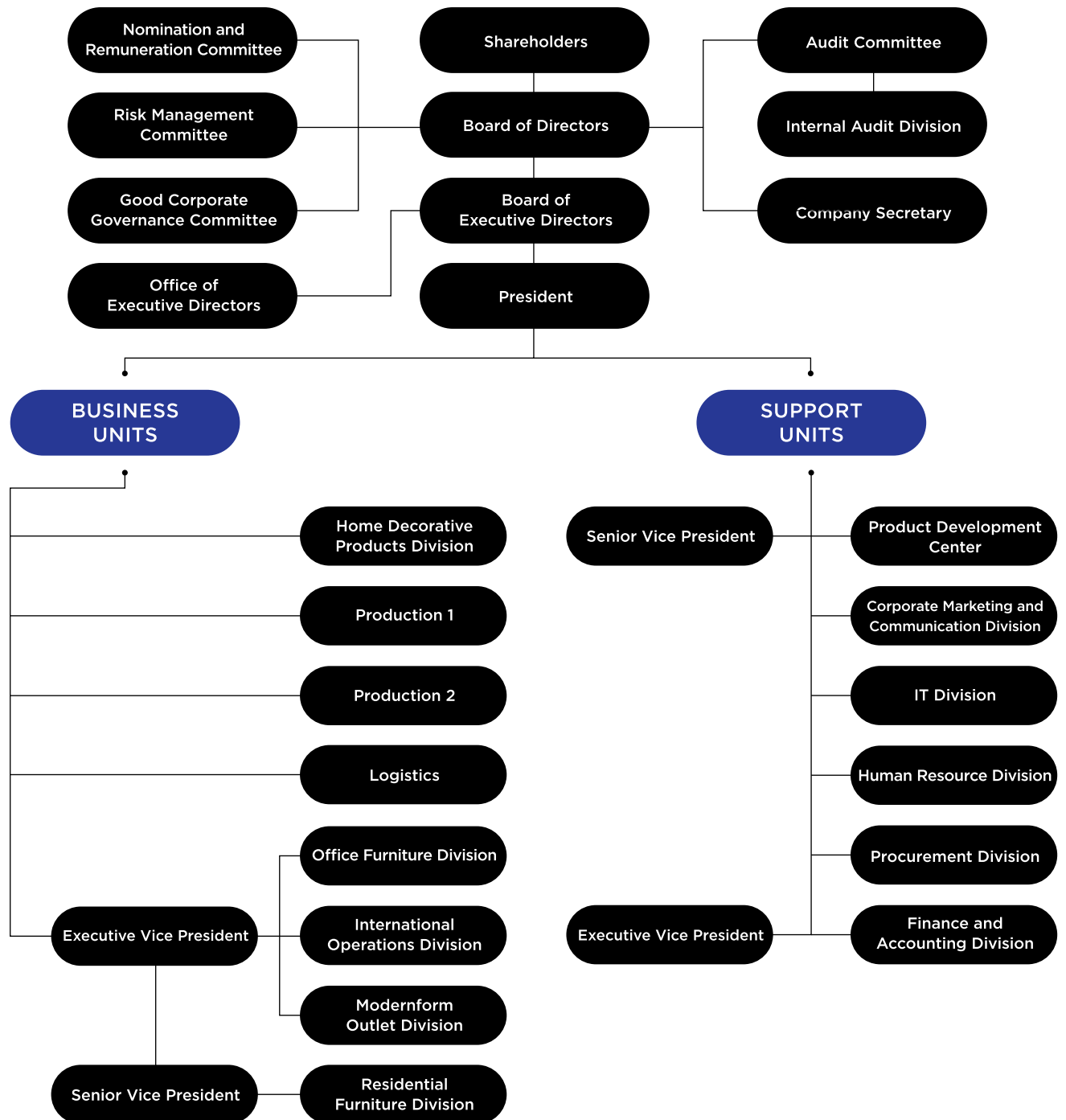
Dividends for the years 2019-2015

Year	Net Profit	Interim dividends Baht/Share	Final dividends Baht/Share	Total dividends Baht/Share	Dividend Payment % of net profit
2019*	125.7	0.05	0.12	0.17	100.0
2018	137.2	0.10	0.10	0.20	111.1
2017	215.6	0.10	0.20	0.30	104.4
2016	172.9	0.10	0.15	0.25	108.7
2015	662.5	0.75	0.25	1.00	113.2

Note : * The Meeting of the Board of Directors of the Company No.1/2020 held on February 27, 2020 passed resolution to pay dividend at the rate of Baht 0.17 The Company paid interim dividend on October 2020 at the rate Baht 0.05 (five satang) hence a remaining value of Baht 0.12 per share will be paid to shareholders as dividend on May 2020. The matter will be proposed for approval at the Annual Ordinary General Shareholders Meeting No.1/2020 on April 23, 2020.

Management Structure

Organization Chart 2019



Management Structure

Modernform Public Company Limited has clearly specified the structure of our Board of Directors, directors and independent directors as well as their roles and responsibilities so that it properly reflects our mission and business objectives. According to our Articles of Association, the Board shall consist of no fewer than five members where no fewer than half of directors must have domiciles in Thailand. Our management structure consists of Board of Directors and five committees, namely, the Executive Board, the Audit Committee, the Nomination and Remuneration Committee, the Risk Management Committee and the Corporate Governance Committee.

As of December 31, 2019, Modernform's Board of Directors consisted of 13 board members, of whom four or 31% were independent directors; six or 46% were executive directors and three or 23% were non-executive directors. Details are as follows.

1. Mr. Thaksa Busayapoka***	Chairman
2. Mr. Chareon Usanachitt ****	Director
3. Mr. Yothin Nerngchamnon***	Director
4. Mr. Somsak Varikarn***	Director
5. Mr. Patana Usanachitt ***	Director
6. Mr. Kavivud Nerngchamnon****	Director
7. Mr. Kitti Busayapoka****	Director
8. Mr. Kookiat Orankit***	Director
9. Mr. Supparerk Mallikamari**	Independent Director
10. Mr. Suchart Thammapiatagkul*	Independent Director
11. Mr. Kittichai Lattisophonkul*	Independent Director
12. Mr. Surachai Sonthirathi*	Independent Director
13. Mr. Kitipat Nerngchamnon***	President
Ms. Penpun Kasetsiri	Company Secretary

- Remark 1. Appoint Mr. Thaksa Busayapoka as Chairman replacing Mr. Chareon Usanachitt who had resigned from Chairman but he still holds a position as a Director of the Company effective from April 1st, 2019.
2. * Independent Director and Audit Committee
- ** Independent Director
- *** Executive Director
- **** Non-Executive Director

The company has defined the definition of directors 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.

Independent directors may be re-appointed to the same position for more than nine years starting from the day he/she was first appointed as an independent director. The Nomination and Remuneration Committee will review qualifications of the Board of Directors, its performances, competency and expertise as well as inputs given by the person while being independent director on an individual basis.

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.

Roles and responsibilities of the Board of Directors are divided into those to be executed by the Board itself and others to be collaborated with the management. Details are as follows.

Duties and responsibilities to be executed by the Board of Directors itself:

1. Comply with the securities and exchange laws, Modernform's objectives and Articles of Association as well as resolutions adopted by the Board and the Shareholders' Meeting with integrity, care, prudence while safeguarding company interest and that of shareholders on the basis of corporate governance.
2. Determine Modernform's vision, direction, policies, goals and budgets.
3. Formulate the Board Charter in which duties and responsibilities of the Board are stipulated as a practice guideline for all directors; divide roles and responsibilities with the Management and periodically review them to ensure that they reflect company directions.
4. Appoint the following sub-committees: the Executive Board, the Audit Committee, the Nomination and Remuneration Committee, the Risk Management Sub-Committee, managing director, senior executives and company secretary so that the operation is under the supervision of the Board or the Executive Board or the managing director.

5. Report one's interest and that of related persons to the Company.
6. Evaluate performances of the Board and the sub-committees either on a committee basis or on an individual basis each year where results of the evaluation are disclosed in the annual report.

Matters to be collaborated between the Board of Directors and the Management:

7. Approve an annual business plan and estimated capital expenditures proposed by the Executive Board.
8. Periodically supervise and monitor the management's performance to ensure effective compliance with the policy, goals and plans previously set in order to enhance the business's maximum economic values and to achieve the best return to shareholders.
9. Underline the importance of disclosing material information necessary for making investment decisions in Modernform's securities as required by the Stock Exchange of Thailand (SET).
10. Make available accounting system, financial reporting and reliable and accurate auditing that reflects actual financial status based on the Generally-Accepted Accounting Principles (GAAP).
11. Set up an adequate internal control system and create an evaluation process to measure the adequacy and effectiveness of both the internal control and internal auditing systems.
12. Set up an appropriate risk management and supervision system.

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

Authority and Duties of Chairman of the Board

1. Supervise and ensure that performances of the Board of Directors are effective and fulfil Modernform's critical goals and targets.
2. Ensure that all directors take part in promoting ethical corporate culture.
3. Promote the standard of corporate governance among the Board of Directors.
4. Call the Board of Directors' Meeting and ensure that important items are incorporated as part of the meeting

agendas with discussion made with executive chairman, managing director or chairman of the Audit Committee, as the case may be. Allow all directors to propose meeting agendas. Set the board meetings the annual general meeting dates in advance so that directors are ready to attend no fewer than 90% of all Board Meetings held in a particular year.

5. Ensure that meeting invitations and supporting documents are delivered to the Board so that it receives adequate information in time for the meeting.
6. Chair the Board of Directors' Meeting and the Shareholders' Meeting; supervise the meeting to comply with the Company's Articles of Association and relevant meeting agendas; provide enough time for directors to discuss important matters in each meeting agenda; encourage directors to exercise discretion and to independently express their opinions; allow shareholders to inquire various matters and encourage answers to shareholders' questions in a comprehensive manner.
7. Promote a good relationship between directors, the management and shareholders
8. Perform other duties as required by the laws.

Board of Directors' Meeting

The Board of Directors' meetings have been scheduled in advance so that directors are ready to attend all meetings for at least six times a year. A special agenda meeting may additionally be held if there is such a need to review corporate

performance after the auditors have reviewed financial statements or after they have completely certified the financial statements. In addition, a meeting should at least be held once a year to allow subsidiary companies to report their performances, plans and goals.

Chairman of the Company will issue an invitation letter to the meeting as well as meeting agendas for the purpose of monitoring results and for consideration. Important information will also be adequately provided in writing to allow directors to understand both the nature of business and items to be considered and discussed. The invitation letter to attend the meeting will be issued no fewer than seven days or 14 days prior to the meeting, as the case may be. This is to allow all directors to submit matters as part of the meeting agendas and to independently and openly discuss the matters at the meeting. Enough time will be allocated for everyone to discuss important matters. If any director has any interest or conflict of interest with matters to be considered, he/she will be refrained from attending or voting in that agenda. Company secretary will record the minutes of meeting with accuracy where opinions of directors will be clearly put in writing. The minutes of the meeting will be completed within seven days after the meeting and will be kept at the head office for directors and relevant persons to examine.

In 2019 the Board of Directors held 7 meetings, 6 for standard meetings and 1 for extraordinary meetings with 98.9% attendance of the total member of directors as the records follow:

Name	Number of Attendance	Remarks
1. Mr. Thaksa Busayapoka	7/7	-
2. Mr. Chareon Usanachitt	7/7	-
3. Mr. Yothin Nerngchamnong	7/7	-
4. Mr. Somsak Varikarn	7/7	-
5. Mr. Patana Usanachitt	7/7	-
6. Mr. Kavivud Nerngchamnong	7/7	-
7. Mr. Kitti Busayapoka	7/7	-
8. Mr. Kookiat Orankit	7/7	-
9. Mr. Supparerk Mallikamarl	7/7	-
10. Mr. Suchart Thamapitagkul	7/7	-
11. Mr. Kittichai Lattisophonkul	7/7	-
12. Mr. Surachai Sonthirathi	7/7	-
13. Mr. Kititpat Nerngchamnong	6/7	Go Aboard

5 sub-committees consisting of:

1. The Executive Board of Directors as of December 31, 2019 consisted of 6 directors as follows:

1. Mr. Thaksa Busayapoka	Chief Executive Director
2. Mr. Yothin Nerngchamnong	Executive Director
3. Mr. Somsak Varikarn	Executive Director
4. Mr. Patana Usanachitt	Executive Director
5. Mr. Kookiat Orankit	Executive Director
6. Mr. Kitipat Nerngchamnong	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 4 Executive Directors. The executive board holds meetings at least once a month in year 2019 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 and Company's vision.
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 are as follows:

1. To determine missions, objectives, guidelines and policies of the Company as well as to order and supervise overall operation to maximize corporate management
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 manage and supervise the business and/or day-to-day activity of the Company
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 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
6. To review and propose investment plans to the Executive Board and the Board of Directors for further approval

7. 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
8. 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
9. 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
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.

The President

The Board of Directors, through recommendations of the Nomination and Remuneration Committee, will approve and appoint the managing director who will work for Modernform only as its managing director so that he/she has enough time to manage the business to meet its objectives for the best interest of shareholders. Managing Director will directly report to the Executive Board and Chairman of the Executive Board. The Executive Board will evaluate managing director's performances annually and will initially set his/her remunerations before seeking the Nomination and Remuneration Committee's approval.

Authority and duties of the President are 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.

Executive

The Executive of the Company that name appear in the Management structure of the Company and according to the definition in the Notification of the Office of the Securities and Exchange Commission as of 31 December 2019 are as follows:

1. Mr. Thaksa Busayapoka	Chief Executive Director
2. Mr. Yothin Nerngchamnong	Executive Director
3. Mr. Somsak Varikarn	Executive Director
4. Mr. Patana Usanachitt	Executive Director
5. Mr. Kookiat Orankit	Executive Director
6. Mr. Kitipat Nerngchamnong	President
7. Mr. Somkiat Pavaritpng	Executive Vice President
8. Ms. Natcharintorn Siri Wattana	Executive Vice President
9. Ms. Sawangjit Pongpipatpong	Senior Vice President
10. Mr. Buddiwat Viboonsatien	Senior Vice President

2. 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.

The Audit Committee as of December 31, 2019 consisted of 3 directors as follows:

1. Mr. Suchart Thammapiatagkul	Independent Director and Chairman of Audit Committee
2. Mr. Kittichai Lattisophonkul	Independent Director and Audit Committee Director
3. Mr. Surachai Sonthirathi	Independent Director and Audit Committee Director
Ms. Penpun Kasetsiri Secretary to the Audit Committee	

Authority and duties of the audit committee are as follow:

1. 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.
2. To review and revise the audit committee charter to properly align with the Securities and Exchange Act and SET's regulations.
3. To review and ensure that the Company has an appropriate and efficient internal control system and assessing the results of the internal control annually.
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 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.
6. 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.
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 ensure the mutual understanding between the Board of Directors, the external auditors, and the Internal Audit Department are headed in the same direction.
9. 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.
10. To consider, review, and approve annual auditing plans of the internal audit department.
11. To consider and approve budgets and manpower of the internal audit department.
12. 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.

13. To report performance of the audit committee to the Board of Directors for acknowledgment at least 4 times a year.
14. To evaluate and assess the performance of the audit committee annually for possible improvement.
15. 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.
16. To seek counsel from independent professionals from varying fields when deemed necessary on the expense of the Company.
17. To do any other functions as may be designated by the Board of Directors with consent of the audit committee.

In 2019, 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	-

3. The Nomination and Remuneration Committee

The Board of Directors will appoint the Nomination and Remuneration Committee, which will consist of independent directors, non-executive directors, executive directors and company secretary. The Committee will relieve the Board of Directors' burden by enhancing efficiency and effectiveness with regard to the nomination and remunerations of directors, members of sub-committees and senior executives starting from department director and higher. This is to promote transparency in the nomination process and to increase competency and expertise of directors and senior

executives who should reflect business needs that makes shareholders confident that the Company can access those with potential and competency to take care of their interest. The Nomination and Remuneration Committee's term of office is three years each term where its members may be re-appointed. The Committee's term of office is equivalent to that of the Board of Directors. In case of vacancy due to reasons other than expiration of the term, board members may appoint a qualified individual within three months and the Nomination and Remuneration Committee shall convene at least twice a year.

Nomination and Remuneration Committee as of December 31, 2019 consisted of 5 directors as follows:

- | | |
|---|----------|
| 1. Mr. Thaksa Busayapoka | Chairman |
| 2. Mr. Yothin Nerngchamnong | Director |
| 3. Mr. Somsak Varikarn | Director |
| 4. Mr. Suparerk Mallikamarl | Director |
| 5. Mr. Kavivud Nerngchamnong | Director |
| Mrs.Somrak Chotibhongs Secretary to Nomination and Remuneration Committee | |

Scopes of Duties and Responsibilities of the Nomination and Remuneration Committee:

1. Nomination

1.1 Review the structure of the Committee by taking into consideration the number of committee members to reflect size, type and complexity of the business as well as their qualifications, skills, experiences and specialization relating to Modernform's main business or industry; recommend improvements.

1.2 Nominate candidates qualified as committee members, members of sub-committees, managing director and senior executives from department director and higher by reviewing their qualifications proven suitable to the Company's unique character in a form of the board skill matrix in order to come up with a right candidate for board members, members of sub-committees, managing director and senior executives as well as their work experiences for the Board of Directors to approve.

1.3 Set nomination rules and procedures of board members and senior executives to reflect unique corporate characteristics of both existing and new directors; set criteria that will allow shareholders to propose future directors and criteria for each board director to propose an appropriate candidate.

1.4 Setup development plan for board members and senior executives to enhance their knowledge, roles and responsibilities as well as to increase their understandings in industrial outlook, stock exchange rules and regulations or corporate laws relating to Modernform's business. In case of new directors and new senior executives, an orientation session will be held and useful information will be distributed to enable them to perform duties as board members.

1.5 Formulate a succession plan by establishing and revising the development plan of both managing director and senior executives for succession purpose in case managing director or senior executives reach a retirement age or could no longer perform one's duty to ensure continued operation.

2. Remunerations

2.1 Consider rules, ways and means to remunerate directors and senior executives starting from department director and higher to ensure fairness while inducing them to perform as expected.

2.2 Constantly review rules and ways and means of remunerations by comparing them with those offered by other companies in the same industry with different forms of remunerations such as retainer fee, incentive, attendance fee and vehicle expenses taken into consideration.

2.3 Set up criteria to evaluate performances of Chairman of the Executive Board and managing director for the Board's approval.

2.4 Determine annual remunerations of directors, Chairman of the Executive Board, managing director and senior executives starting from department director based on pre-determined compensation criteria by incorporating their performance evaluations as well as by comparing their remunerations with those offered by other companies in the same industry. While remunerations of managing director and senior executives will be submitted to the Board for approval, those of board members will be submitted for the Shareholders' Meeting's approval.

3. Require that the Nomination and Remuneration Committee convene at least twice a year and that committee members attend no fewer than 75% of all meetings being held.

4. Report performances of the Nomination and Remuneration Committee to the Board of Directors at least once a year.

5. Review performances of the Nomination and Remuneration Committee using a required evaluation form at least once a year as a committee and as an individual before disclosing the evaluation result in the annual report.

6. Perform other tasks as entrusted by the Board of Directors.

In 2019, the Nomination and Remuneration Committee held 2 times meeting with 100% attendance of the member of directors as follows:

Name - Surname	Number of Attendance	Remarks
1. Mr. Thaksa Busayapoka	2/2	-
2. Mr. Yothin Nerngchamnong	2/2	-
3. Mr. Somsak Varikarn	2/2	-
4. Mr. Suparerk Mallikamarl	2/2	
5. Mr. Kavivud Nerngchamnong	2/2	

Nomination of Directors and Executives

The Nomination and Remuneration Committee is responsible for nominating directors, independent directors, non-executive directors and directors representing major shareholders who command appropriate qualifications without prohibited characters set in the laws governing public company limited. In addition, they must not possess any character that reflects the lack of trust to manage a public company as announced by the Securities and Exchange Commission (SEC). Candidates will be considered on the basis of their visions, skills, experiences and diversity in their competency proven useful to Modernform's business. They must also understand Modernform's business and are not director or manager in any business with potential conflict of interest with Modernform's. Besides, they must be able to dedicate enough time to fully perform their respective duties while having independence enough to make a decision to safeguard the maximum interest of Modernform itself and shareholders in general. That's why directors should not hold directorship in more than five listed companies. Candidates will then be proposed to the Board of Directors' Meeting, who will submit their names and details to the Shareholders' Meeting to make a decision to elect a director based on rules and procedures written in the Articles of Association. To elaborate, directors must be approved by no fewer than half of the number of shares held by shareholders attending the Shareholders' Meeting and having the rights to vote. One shareholder may have one vote. Each shareholder may use all the votes he/she has to elect one or several directors. Those with the highest votes will be elected in a respective order to fill the number of directorship set by the Company. At each annual general meeting, one-third of directors shall resign by rotation. For non-independent directors, the number of directors may reflect the proportion of their shareholding equity in the firm. Depending on the soundness and

competency of those elected as directors, the Board may elect one director as its chairman and also one or several directors as vice chairman. It will also appoint Chairman of the Executive Board, executive board members, managing director, the Audit Committee, company secretary and members of other sub-committees as considered appropriate.

Remunerations of Directors and Executives

The Nomination and Remuneration Committee will determine remunerations of board members, members of sub-committees and senior executives from department director and higher, namely, director, assistant vice president, vice president and managing director, executive board member and the Board itself. These remunerations will be determined by comparing them with those offered by other listed companies in the SET operating in the same industry with relatively the same size based on the information from the SET's remuneration survey as well as by benchmarking with the average offered by listed companies derived from a remuneration survey carried out by the Thai Institute of Directors Association (IOD). The Nomination and Remuneration Committee will initially set director's remuneration in order to propose it to the Board, who will then submit it to the Shareholders' Meeting, all of which will be closely tied with Modernform's operation results as well as performances of each individual director.

For annual salary increase of senior executives, consideration will be made on the basis of Modernform's operating results and performances of each executive reflected through the Key Performance Indicators (KPI) set earlier in each annual plan.

Meanwhile, the Board of Directors will review remunerations of the Nomination and Remuneration Committee before proposing them to the Shareholders' Meeting for final approval.

4. 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 as of December 31, 2019 comprises of:

1. Mr. Thaksa Busayapoka	Chairman
2. Mr. Patana Usanachitt	Director
3. Mr. Kitipat Nerngchamnong	Director
4. Mr. Kookiat Orankit	Director
5. Mr. Somkiat Pavaritpong	Director
6. Ms. Natcharintorn Siri wattana	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.

5. The Corporate Governance Committee

The Board of Directors underlines the importance of the Good Corporate Governance principles. In order to share and support responsibilities of the Board in determining good practices to correspond to the Good Corporate Governance principles, the Corporate Governance Committee was established in accordance with the Board's resolution adopted at its 7/2562 Meeting on November 12, 2019 to consist of at least three board members, one of whom must be an independent director, together with advisors or executives, for a total number of no fewer than five. Chairman of the Corporate Governance Committee must be an independent director whose term of office is three years each. Members whose term is expired may be re-elected.

In case members of the Corporate Governance Committee retires or if there is a reason that a committee member may not be able to stay up to his/her term, the Board must appoint a replacing member at least within three months from the day a number of committee members fail to meet the criteria. The replacing member meanwhile shall be in the office for the remaining term of the retiring member only. The Committee shall meet at least once a year.

The Corporate Governance Committee as of December 31, 2019 comprises of:

- | | |
|--|----------|
| 1. Mr. Surachai Sonthirathi | Chairman |
| 2. Mr. Kittichai Lattisophonkul | Director |
| 3. Mr. Patana Usanachitt | Director |
| 4. Mrs. Somrak Chotibhongs | Director |
| 5. Ms. Natcharintorn Siri wattana | Director |
| 6. Ms. Nongluck Leerakul | Director |
| Ms. Penpun Kasetsiri Secretary to the Corporate Governance Committee | |

Roles and Responsibilities of the Corporate Governance Committee

1. To present the Corporate Governance Policy to the Board in order to seek its approval so that it can be implemented as the best practices by board directors and the management. The Corporate Governance policy meanwhile shall be made in writing.
2. To supervise and advise board members and the management when it comes to their performance and responsibilities under the Corporate Governance Policy to facilitate their oversight functions, to ensure effectiveness and to materialize continuity in order to meet expectations of both shareholders and stakeholders.
3. To advise the best practices relating to business ethics of directors, executives, employees and staff.
4. To review, revise and update the Corporate Governance Policy at least once a year to ensure its relevance and conformity to the best practices, international standards, rules and laws as well as recommendations of supervising agencies.
5. To produce a report assessing the performance of the Corporate Governance Committee as well as its activity report to the Board and to provide necessary suggestions and recommendations at least once a year.

In 2019, the Corporate Governance Committee did not convene a meeting yet, for it had been newly set up by the Board.

Company Secretary

The Board of Directors of Modernform Public Limited Company's Meeting No. 6/2561 held on November 13, 2018 resolved to appoint Ms. Penpun Kasetsiri as company secretary. In compliance with the Securities and Exchange Commission Act, B.E. 2535 (1992), Ms. Penpun was considered being qualified as required by the Board. She was also considered having appropriate experiences as company secretary and she had completed the company secretary course held by the IOD, Class 93/2018, as well as the basic curriculum on relevant rules and regulations governing listed companies for those working as company secretary and assistant company secretary held by Thai Listed Companies Association, Class 2/2552.

Roles and duties of the Company Secretary

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.

Evaluation of Board of Directors

The Board evaluates performance of itself as an entire body as well as that of each committee once a year through evaluation forms of which criteria reflect Modernform's principles of corporate governance and the Board's scopes of responsibilities. The objective is to use evaluation results to address problems or obstacles during the past year with a purpose to improve performances of both the Board itself and various committees in order to maximize efficiency and support any decision about remuneration to be made in the future.

In 2019, Modernform evaluated performances of the following three bodies through six different evaluation forms, namely,

1. An evaluation form applicable for individual and group of the Board of Directors
2. An evaluation form applicable for individual and group of the Audit Committee
3. An evaluation form applicable of individual and group of the Nomination and Remuneration Committee

The evaluation took place at the end of the year where the Company Secretary submitted the form to each committee to conduct its annual evaluation. After each member completed his/her evaluation, he/she submitted it back to the Company Secretary and subsequently reported the Board and the Nomination and Remuneration Committee for recognition.

Evaluation scores in percentage term were as follows:

1. Excellent - scores between 90-100%
2. Very good - scores between 80-89%
3. Good - scores between 70-79%
4. Fair - scores lower than 69%

The following were evaluation results:

1. The Board of Directors reviewed its performance by group through the evaluation form in six areas, namely, structure and qualifications of board members; roles, duties and responsibilities of the Board; the Board's meeting; performance of directors; the Board's relationship with the management, and capacity-building for directors themselves and the management. Most directors were found to perform their duties while actions were carried out in required areas. The Board received 95% or excellent for its performances.
2. An evaluation form applicable for the individual of Board of Directors in three areas, namely, structure and qualifications of board members; the Board's meeting and roles, duties and responsibilities of the Board. The Board received 96% or excellent for its performances.
3. An evaluation form applicable to the Audit Committee looked at its performances in seven areas, namely, its components; training and resources; meeting; its activities; relationship with head of the Internal Audit Department, external auditor, the management and shareholders; business risk and internal control; and the Audit Committee's future roles. The Audit Committee's performance was found to be excellent with a score of 98% and a high level of efficiency.
4. An evaluation form applicable for the individual of the Audit Committee in three areas, namely, structure and qualifications of board members; the Board's meeting and roles, duties and responsibilities of the Board. The Board received 96% or excellent for its performances.
5. The Nomination and Remuneration Committee was evaluated for individual and group in three areas of its structure and qualifications of committee members, performances of its members during meetings, and their roles and responsibilities. The committee scored 95% for its performances.

Orientation of New Directors

Modernform realizes the significance of an orientation session to our new directors, as this is an opportunity for them to learn more about their roles and responsibilities. It's also the time for Modernform to communicate our business and operation to help directors get ready to perform their duties. The following documents and information proven useful for new directors are usually presented at the orientation session:

1. Listed Company Director's Manual, which features share purchase and reporting by directors and stakeholders.
2. Memorandum of Association and Articles of Association, which allows directors to learn about Modernform's business objectives, legal obligations, component of the Board, election and appointment of board members, Board meeting and shareholders' meeting.
3. Scopes of roles and responsibilities of Board of Directors and committees for the benefit of directors.
4. Minutes of the previous Board meetings, meeting agendas and schedules submitted in advance to enable directors to allocate time to attend all meetings as well as to effectively prepare themselves for these meetings.
5. The Corporate Governance Policy to enable new directors to learn more about the Good Corporate Governance principles, oversight measures, compliance practices based on their expertise and experience with a goal to bring the company forward.
6. Supervision of the use of internal information to enable new directors to tread on this subject in a careful and valid manner in accordance with our policy.
7. The risk policy and the risk management system, major risk factors affecting our operations and risk prevention measures.
8. Management Control, Compliance Control, Financial Control, all of which are responsible by our Internal Control Department.
9. Connected Transactions between listed companies and subsidiaries vs. connected persons to avoid any conflict of interest.
10. The Code of Conduct to enable new directors to comply within the framework and ensure strict compliance.
11. Whistleblowing practices to inform new directors of rules and practices with regard to the whistleblowing.
12. Legal disputes, so that new directors learn more about the number of disputes currently under civil/criminal proceedings, our status based on each dispute and value involving in each case.
13. Report by supervising agencies/authorities requiring us to improve, rectify or execute any action based on their orders.

In 2019, Modernform did not organize any orientation session to directors since there wasn't any new director being elected to the Board.

Training of Board Directors

Modernform's Board of Directors encourages and facilitates directors to attend seminars or courses to enhance their knowledge and performances. The Company Secretary has been assigned to inform board members of potential training courses on a regular basis. In 2019, Mr. Kookiat Orankit attended the Director Accreditation Program, Class 167/2019, held by the Thai Institute of Directors (IOD).

Succession Plan

Realizing the importance of sustainable and effective business undertakings, Modernform has formulated a succession plan in order to recruit qualified and visionary personnel with expertise, experiences and attitudes that properly reflect our corporate culture while delivering performance excellence. The plan is to enhance necessary knowledge and skills so that selected personnel will be able to succeed in major roles and titles such as Chief Executive Officer, President and senior executives to win confidence from investors and stakeholders in our operation. The Nomination and Remuneration Committee will consider potential candidates before seeking approval from the Board of Directors' meeting to ensure operation continuity.

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's 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.

Modernform communicated with directors, executives and employers to secure their acknowledgment and strict compliance to prevent abuse of inside information.

Remunerations of Directors

The Annual General Meeting of Shareholders No. 1/2562 resolved to approve the following remunerations to the Board of Directors and other committees. Details are as follows.

Monetary remunerations:

- The Board of Directors:** Each of its 13 members would receive Baht 72,000 each quarter. Chairman of the Board would receive Baht 94,000 each quarter.
- The Audit Committee:** Three members of the Audit Committee would receive Baht 22,000 each as a vehicle expense on a monthly basis. Chairman of the Audit Committee would receive Baht 25,000 each month.
- The Nomination and Remuneration Committee:** Two members of the committee would each receive Baht 30,000 each quarter

Non-Monetary Compensation: None

	Modernform Group PCL. Amount (Baht) As of December 31, 2019	Subsidiaries Amount (Baht) As of December 31, 2019
Board of Directors 13 persons	3,832,000	420,000
Audit Committee	828,000	-
Nomination and Remuneration Committee	240,000	-
Total	4,900,000	420,000

Members of the Board, the Audit Committee and the Nomination and Remuneration Committee did not receive any meeting allowance, annual bonus or other benefits.

Remunerations of the Executive Board of Directors and Executives

In 2019, Modernform had 10 persons being members of its board of executive directors and the first four executives starting from the president together with all the rest whose position was equivalent to No. 4-rank executive in the list based on the definition of the Capital Market Supervisory Board Notification No. Tor Chor 23/2551.

Monetary Compensation: e.g. Salary, bonus and car allowance totaling Baht 15,696,600 and other remunerations including contributions to the provident fund totaling Baht 423,795

Non-Monetary Compensation: None

Personnel

- As of December 31, 2019, Modernform's total employees amounted to 1,919 persons classified in types and levels as of 2019 and 2018 as follows.

Number of employees	2019	2018
Number of employees	1,919	2,133
Monthly employees	1,529	1,674
Daily employees	390	459
Classify by level		
Executives	25	23
Division Manager/Department Manager	200	212
Supervisor/Unit head	426	453
Staff	1,268	1,445

2. Employee remunerations:

In 2019, we paid monetary remunerations in a form of salary, bonus and contributions to the provident fund totaling Baht 590,079,659 to our employees. Details are as follows.

	2019	2018
Salary	531,645,603	514,503,482
Bonus	40,399,280	35,056,339
Provident Fund	18,034,776	17,261,907
Total	590,079,659	566,821,728

Remuneration policy:

We have designed our remuneration policy to reflect our performance each year. In addition, payment is also based on performance evaluation where KPIs of each employee in each department will be used to align with both short- and long-term operation. Modernform has set up a provident fund since 1993 as a means to take long-term care of our employees.

3. Human resource development policy

All employees play a pivotal role for us to enjoy the sustainable growth since they are at the forefront to deliver customer satisfaction whether it's about creative design, quality production, excellent service and fast yet exquisite and reliable delivery. We believe that if our employees have a variety of capability that are further enhanced while they are allowed to effectively work as a team, they will be able to perform to the best interest of consumers and us.

Having a strong commitment to manage our human resources, Modernform has come up with a clear HR strategy that truly reflects our strategic direction. We focus on clear performance management as a tool to increase capacity of our employees. We also commit to manage salaries that reflect each individual's performance and to attract new talents. Modernform continues to promote capacity building among staff, encourage those who have potentials and organize activities that underline commitment among staff and to the company. The objective is to retain the talent so that they can grow with us, work happily here and enjoy better quality living.

Management of performance, remunerations and welfare

Modernform has adjusted the way we manage staff performance by introducing the Key Performance Indicators (KPI) as a performance assessment tool. In 2019, we also evaluated work behavior as part of the performance evaluation based on a belief that a desirable work behavior of an employee would enable us to achieve our goals and simultaneously promote the desirable corporate culture.

We also incorporated remuneration surveys of various organizations in our compensation structure to stay competitive in the market. Accident insurance is now offered to all employees as additional assurance.

Capacity Building

We focus on mindset or attitude development where we encourage staff to look at the corporate goals, underline comprehensive action and participation from all levels. We also implement capacity building in order to develop products that meet our standards while reducing production redundancy and loss. In 2019, 49 training courses were held and attended by 1,475 staff, which can be broken down as follows.

General manager and higher:	12.7% of all attending participants
Supervisor:	18.4% of all attending participants
Staff:	68.9% of all attending participants

The following are details of training courses offered in 2019:

Management:

1. HR as Human Resource Business Partner (HRBP)
2. Director Accreditation Program
3. Design of the remuneration and welfare management system
4. How to plan a business strategy to achieve the target
5. HR and the employee experience design based on the design thinking concept
6. Environmental laws and assessment techniques in compliance with the ISO14001:2015

Attitude and mindset nurturing:

1. Awakening sub-consciousness and creating positive thinking, Class 1-2 MOF
2. Transform to success, Class 1-2
3. Effective collaboration -MID
4. Conceptual development for communication and leadership success, Class 1-3
5. Positive mindset and communication for leadership, Class 1-2

Sales and marketing:

1. Effective brand management
2. Green communication and up level selling skills for project sales
3. Penetrating ideas, winning customers
4. SEO & Content marketing
5. Creative design concept and process
6. The Art & Science of content marketing

Accounting and finance:

1. Practices of E-tax invoice and E-receipt
2. Models and how the Revenue Department examines tax payments of associated, parent and subsidiary companies within the same group
3. TFRS 15: Incomes from contracts signed with customers and issues from the implementation
4. Taxes for accountants - the entire tax system
5. Tax issues for doctors, hospitals, medical clinics and tax planning
6. Accounting: financial tool for non-financial institution organizations
7. Management of receivables, doubtful debt and loss: what are the right practices?
8. Criteria for the issuance of e-tax invoice, e-receipt, tax invoice, increase and decrease of debts and receipt together with details of input and output tax.
9. TFRS 16: Lease agreement
10. Strategy to manage the cost and inventory account to reflect the accounting principles and the tax principles
11. Problems and practices relating to the asset account, deduction of costs of depreciation as well as wear and tear based on the accounting standards.

Enhancing work efficiency

1. Use of Excel for fast and easy execution
2. Warehousing and merchandise management
3. Psychological assessment and selection of psychological tools
4. Delivery management to reduce costs and increase efficiency
5. Improving and increasing productivity for success, Class 1-2
6. Analysis of problems and obstacles to increase productivity
7. Production process and material science, Class 1-2
8. Safety use of Fork Lift
9. Management of production costs
10. Response techniques in case of chemical leakages
11. Quality control, examination criteria and quality acceptance, Class 1-8
12. Skill developments for installation technicians (Class 1-3)
13. Skill development for paint-job technicians
14. Preliminary reading of wooden work drawing

Internal control and audit

1. Auditor in charge: Tools and techniques
2. Risk-based audit
3. Corruption from the internal audit and internal auditing to prevent this corruption
4. Auditor report writing
5. Leadership skills for auditors
6. Analytical thinking for professional internal auditor

The New Generation Program, which continued from the previous year, was a program designed to nurture a new generation of leaders for change and generate outcomes through a special project beyond their day-to-day responsibility. In 2019, there were five projects created under this New Generation Program, namely,

1. E-tax: First use, Best use
2. Job online for P2: Faster, more accurate, saver
3. QR Code for DS: borderless connection
4. Modernform co-working space
5. Designer marketplace

The format of the program was based on the 70:20:10 formula where 70% was dedicated to self-learning, 20% was turning knowledge into actual implementation and 10% was time spent with mentors.

Employees participating in this program said thanks to the program, they were able to understand how to write a business plan, understand business opportunities and risks and create innovative service concepts. The program also enabled them to enhance management skills, leadership and teamwork skills and presentation techniques. It offered them a platform to express viewpoints and to mutually exchange ideas with coworkers. Modernform also benefitted from having a new generation of leaders who were ready to respond to the company's future growth.

Occupational health, safety and environment

Realizing the importance of safe workplaces and staff wellbeing, in 2019, we conducted the following occupational health, safety and environmental activities:

- Check levels of noise and lighting that may affect employee's health and control them to be within the standards; provide noise and light-reduction equipment; organize training on proper use and compliance
- Conduct hearing test to those at risk and provide protection
- Measure dust concentration levels and strengthen control measures; strictly require staff to wear personal protection equipment (PPE) while on the job;
- Check buildings/workplaces
- Conduct an annual fire drill at the headquarters and factories;
- Train fire-protection and fire-fighting techniques for new staff;
- Check machinery conditions to ensure safety;
- Organize safety law training to supervisors

Credential of Directors and Executive as of December 31, 2019

Mr. Thaksa Busayapoka (Age : 69 years)
Chairman and Chief Executive Director

Year of Directorship

Since April 1980

Education

- Master of Management, New Technology Venture, College of Management Mahidol University
- Bachelor of Commerce, Chulalongkorn University
- DCP 32/2003 Program of Thai Institute of Directors (IOD)

Number of Shareholding in the Company (as of October 4, 2019)

- Director 19,846,000 shares (2.65%)
- Spouse 12,176,000 shares (1.62%)

Relationship with other Directors and Executives

Brother of Mr. Kittti Busayapoka

Illegal record in the last 5 years

None

Working experience in last 5 years

Listed Company

- 2013 - present Director : Interhides Public Company Limited

Other Companies or Organization

- 2017 - present Executive Director : UICC Company Limited
- 2015 - present Executive Director : Itoki Modernform Company Limited
- 2007 - present Executive Director : Rafa Design Company Limited
- 2007 - present Executive Director : Rafa Plus Architect Company Limited
- 2006 - present Executive Director : Rafa Associates Company Limited
- 2005 - present Chairman : Modernform Health and Care Public Company Limited
- 1989 - present Executive Director : Modernform Tower Company Limited

Mr. Yothin Nerngchamnon (Age : 69 years)
Executive Director

Year of Directorship

Since April 1980

Education

- Honorary Doctorate in Business Administration, Sripatum University
- Master of Political Science, Ramkhamhang University
- Bachelor of Political Science, Ramkhamhang University
- DCP 35/2003 Program of Thai Institute of Directors (IOD)
- Capital Market Academy Leadership Program (CMA#7)
- Top Executive Program in Commerce and Trade #4
- Thailand Energy Academy #2
- Certificated, Good Governance for Executive Medical batch 3

Number of Shareholding in the Company (as of October 4, 2019)

- Director 25,962,820 shares (3.46%)
- Spouse 6,042,000 shares (0.81%)

Relationship with other Directors and Executives

Father of Mr. Kitipat Nerngchamnon and Brother of Mr. Kavivud Nerngchamnon

Illegal record in the last 5 years

None

Working experience in last 5 years

Listed Company

- 2008 - 2015 Chief Executive Director : Thai Plaspac Public Company Limited

Other Companies or Organization

- 2017 - present Executive Director : UICC Company Limited
- 2017 - present Chief Executive Director : Modernform Health and Care Public Company Limited
- 1989 - present Executive Director : Modernform Tower Company Limited
- 2013 - 2018 Director : Thailand Philharmonic Orchestra
- 2012 - 2014 Director : The Stock Exchange of Thailand
- 2012 - 2014 Appointed Member : State Enterprise Policy Board
- 2013 - 2014 Director : Dhanarak Asset Development company Limited

Mr. Somsak Varikarn (Age : 69 years)
Executive Director

Year of Directorship Since April 1980

Education

- BBA. Memphis State University, U.S.A.
- DCP Program 45/2004 Program of Thai Institute of Directors (IOD)

Number of Shareholding in the Company (as of October 4, 2019)

- Director 0 share (0.00%)
- Spouse 0 Share (0.00%)

Relationship with other Directors and Executives None

Illegal record in the last 5 years None

Working experience in last 5 years

Listed Company None

Other Companies or Organization

- 1989 - present Chairman : Modernform Tower Company Limited

Mr. Patana Usanachitt (Age : 60 years)
Assistant to Chief Executive Director

Year of Directorship Since April 2001

Education

- Bachelor of Marketing, University of Nevada, U.S.A.
- DCP 35/2003 Program of Thai Institute of Directors (IOD)
- FND 4/2003 Program of Thai Institute of Directors (IOD)

Number of Shareholding in the Company (as of October 4, 2019)

- Director 811,750 shares (0.11%)
- Spouse 0 share (0.00%)

Relationship with other Directors and Executives Brother of Mr. Chareon Usanachitt

Illegal record in the last 5 years None

Working experience in last 5 years

Listed Company

- 2001 - 2015 President : Modernform Group Public Company Limited

Other Companies or Organization

- 2015- present Executive Director : Itoki Modernform Company Limited
- 2006 - 2015 Executive Director : Rafa Associates Company Limited
- 2005 - 2015 Executive Director : Modernform Health and Care Public Company Limited

Mr. Kookiat Orankit (Age : 58 years)**Director****Year of Directorship**

Since July 2018

Education

- Diploma, St.John College
- DAP 167/2019 Program of Thai Institute of Directors (IOD)

Number of Shareholding in the Company (as of October 4, 2019)

- Director 0 share (0.00%)
- Spouse 4,000 shares (0.00%)

Relationship with other Directors and Executives

None

Illegal record in the last 5 years

None

Working experience in last 5 years**Listed Company**

- 2015 - 2018 Senior Executive Vice President : Modernform Group Public Company Limited

Other Companies or Organization

None

Mr. Kitipat Nerngchamnong (Age : 41 years)**President****Year of Directorship**

Since April 2016

Education

- Master of Business Administration, Finance, University of Leeds, United Kingdom
- Bachelor of Business Administration, Assumption University
- Certificated, Good Governance for Executive Medical batch 2 of King Prajadhipok's Institute
- Certificated, Executive Management of Capital Market Academy batch 1
- EDP Program batch 9 of The Stock Exchange of Thailand
- Certificated, Yong Leadership of Democracy batch 1 of King Prajadhipok's Institute
- DAP 139/2017 Program of Thai Institute of Directors (IOD)
- Top Executive Program in Commerce and Trade #7 : Commerce Academy

Number of Shareholding in the Company (as of October 4, 2019)

- Director 4,500,000 shares (0.60%)
- Spouse 0 share (0.00%)

Relationship with other Directors and Executives

Son of Mr. Yothin Nerngchamnong

Illegal record in the last 5 years

None

Working experience in last 5 years**Listed Company**

None

Other Companies or Organization

- 2018 - present Audit Committee : Belink Media Company Limited
- 2017 - present Executive Director : UICC Company Limited
- 2015 - present Executive Director : Modernform Health and Care Public Company Limited
- 2013 - 2014 Subcommittee of Business Development : Thailand Post Company Limited

Mr. Chareon Usanachitt (Age : 68 years)
Chairman

Year of Directorship

Since April 1980

Education

- BBA. University of Connecticut, U.S.A.
- RCP 1/2000 Program of Thai Institute of Directors (IOD)
- DCP 32/2003 Program of Thai Institute of Directors (IOD)
- DCP Re2/2006 Program of Thai Institute of Directors (IOD)

Number of Shareholding in the Company (as of October 4, 2019)

- Director 4,542,000 shares (0.60%)
- Spouse 10,558,660 shares (1.41%)

Relationship with other Directors and Executives

Brother of Mr. Patana Usanachitt

Illegal record in the last 5 years

None

Working experience in last 5 years

Listed Company

None

Other Companies or Organization

- 1989 - 2017 Director : Modernform Tower Company Limited

Mr. Kavivud Nerngchamnong (Age : 65 years)
Director

Year of Directorship

Since April 2004

Education

- Master of Political Science, Ramkhamhang University
- Bachelor of Political Science, Ramkhamhang University
- Bachelor of economic, Sukhothai Thammathirat University.
- DAP 17/2004 Program of Thai Institute of Directors (IOD)

Number of Shareholding in the Company (as of October 4, 2019)

- Director 27,504,000 shares (3.67%)
- Spouse 0 share (0.00%)

Relationship with other Directors and Executives

Brother of Mr. Yothin Nerngchamnong

Illegal record in the last 5 years

None

Working experience in last 5 years

Listed Company

None

Other Companies or Organization

- 1986 - present K.B.S. Import-Export Company Limited
- 1987 - present Ocean Feed Company Limited

Mr. Kitti Busayapoka (Age : 62 years)**Director****Year of Directorship**

Since April 2017

Education

- Bachelor of Economics, Kasetsart University
- DAP 138/2007 Program of Thai Institute of Directors (IOD)

Number of Shareholding in the Company (as of October 4, 2019)

- Director 357,000 shares (0.05%)
- Spouse 0 share (0.00%)

Relationship with other Directors and Executives

Brother of Mr. Thaksa Busayapoka

Illegal record in the last 5 years

None

Working experience in last 5 years**Listed Company**

- 2015 - 2017 Senior Executive Vice President : Modernform Group Public Company Limited

Other Companies or Organization

None

Mr. Suparerk Mallikamarl (Age : 68 years)**Independent Director****Year of Directorship**

Since November 2004

Education

- Master of Architecture, Chulalongkorn University
- Bachelor of Architecture, Chulalongkorn University
- ACP 7/2005, DAP 29/2004 and QFR 5/2007 Program of Thai Institute of Directors (IOD)

Number of Shareholding in the Company (as of October 4, 2019)

- Director 0 shares (0.00%)
- Spouse 0 shares (0.00%)

Relationship with other Directors and Executives

None

Illegal record in the last 5 years

None

Working experience in last 5 years**Listed Company**

None

Other Companies or Organization

- 2017 - present Director: Supparerk planning and Design Company Limited
- 2008 - present Lecturer : Faculty of Architecture, Chulalongkorn University
- 1983 - present Managing Director : Four Aces Consultant Company Limited

Mr. Suchart Thammakitagkul (Age : 70 years)
Independent Director and Chairman of Audit Committee

Year of Directorship

Since November 1999

Education

- Master of Law, Harvard Law School, U.S.A
- Barrister-at-law
- Bachelor of Law, Chulalongkorn University
- DCP 60/2005, DAP 27/2004 and Effective Audit Committee and RCC 11/2010 Program of Thai Institute of Directors (IOD)

Number of Shareholding in the Company

- Director 0 share (0.00%)
- Spouse 0 share (0.00%)

Relationship with other Directors and Executives

None

Illegal record in the last 5 years

None

Working experience in last 5 years

Listed Company

- 2004 - present Independent Director and Chairman of Audit Committee : T.C. Union Global Public Company Limited
- 2011 - present Independent Director and Chairman of Audit Committee : MFEC Public Company Limited
- 2005 - present Independent Director and Audit Committee : Unimitr Engineering Public Company Limited
- 2004 - 2018 Independent Director and Audit Committee : Unique Mining Services Public Company Limited

Other Companies or Organization

- 1989 - present Director : Bansathorn Company Limited
- 1986 - present Director : Onnic Company Limited
- 1970 - present Director : Somnuk Sutee and Associates Company Limited

Mr. Kittichai Lattisophonkul (Age : 70 years)
Independent Director and Audit Committee

Year of Directorship

Since May 2012

Education

- Bachelor of Commerce, Chulalongkorn University
- DAP 97/2012 Program of Thai Institute of Directors (IOD)

Number of Shareholding in the Company (as of October 4, 2019)

- Director 15,000 Shares (0.00%)
- Spouse 0 share (0.00%)

Relationship with other Directors and Executives

None

Illegal record in the last 5 years

None

Working experience in last 5 years

Listed Company

- 2011 - 2015 Independent Director and Audit Committee : Nation Broadcasting Corporation Public Company Limited

Other Companies or Organization

None

Mr. Surachai Sonthirathi (Age : 68 years)
Independent Director and Audit Committee

Year of Directorship

Since July 2014

Education

- Bachelor of Commerce, Chulalongkorn University
- DAP 10/2004 and ACP 37/2011 Program of Program of Thai Institute of Directors (IOD)

Number of Shareholding in the Company (as of October 4, 2019)

- Director 0 share (0.00%)
- Spouse 0 share (0.00%)

Relationship with other Directors and Executives

None

Illegal record in the last 5 years

None

Working experience in last 5 years

Listed Company

- 2015 - 2017 Independent Director and Chairman of Audit Committee : GM Group Multimedia Public Company Limited
- 2006 - 2014 Independent Director and Audit Committee : MFEC Public Company Limited
- 2004 - 2014 Independent Director and Chairman of Audit Committee : Thai Plaspac Public Company Limited

Other Companies or Organization

- 2016 - present Committee director : Federation of Accounting Professions Under The Royal Patronage of His Majesty the King
- 2015 - present Independent Director and Chairman of Remuneration Committee : Siam Technique Concrete Company Limited

Mr. Somkiat Pavaritpong (Age :50 years)
Executive Vice President

Education

- Bachelor of BBA, Assumption University
- MBA, Duquesne University, USA
- Strategic Thinking and Management, Chulalongkorn University
- Leadership Effectiveness, Center for Southeast Asia Leadership
- Creative Technique, DDB Worldwide Communication Group Inc.
- The 5% Zone Hoe to Stand Out as a Global Executive, Global Executive Mindset
- Subconscious Command, Research Institute, Research, Subconscious Mind
- An Introduction to Design Thinking, Institute of Design at Stanford

Number of Shareholding in the Company (as of October 4, 2019)

- Executive 0 share (0.00%)
- Spouse 0 share (0.00%)

Relationship with other Directors and Executives

None

Illegal record in the last 5 years

None

Working experience in last 5 years

Listed Company

None

Other Companies or Organization

- 2019 - Present Director : Workscape Company Limited
- 2015 - Present Director : Itoki Modernform Company Limited

Ms.Natcharintorn siriwattana (Age: 54 years)

Executive Vice President

Education

- Master of Business Administration(Finance), Kasetsart University
- Bachelor of Business Administration (Accounting), Sukhothai Thammathirat University
- Bachelor of Economics, Thammasat University
- DCP 109/2008 Program of Thai Institute of Directors (IOD)
- CFO Certification Program Class 19/2015, Federation of Accounting Professions

Number of Shareholding in the Company (as of October 4, 2019)

- Executive 0 share (0.00%)
- Spouse 0 share (0.00%)

Relationship with other Directors and Executives None

Illegal record in the last 5 years None

Working experience in last 5 years

Listed Company None
Other Companies or Organization None

Ms.Sawangjit Pongpipatpong (Age : 53 years)

Senior Vice President

Education

- Bachelor of BBA, Thammasat University

Number of Shareholding in the Company (as of October 4, 2019)

- Executive 10,000 shares (0.00%)
- Spouse 0 share (0.00%)

Relationship with other Directors and Executives None

Illegal record in the last 5 years None

Working experience in last 5 years

Listed Company None
Other Companies or Organization None

Mr. Buddiwat Wiboonsathien (Age: 56 years)

Vice President

Education

- Bachelor of Architecture (Industrial design), King Mongkuts Institute of Technology Ladkrabang
- Super Brand Manager, Marketing of Association of Thailand #16, 2002
- Executive Micro MBA, faculty of commerce, Chulalongkorn University

Number of Shareholding in the Company (as of October 4, 2019)

- | | |
|-----------------------------|--------------------------|
| • Executive 0 share (0.00%) | • Spouse 0 share (0.00%) |
|-----------------------------|--------------------------|

Relationship with other Directors and Executives

None

Illegal record in the last 5 years

None

Working experience in last 5 years

Listed Company	None
Other Companies or Organization	None

Good Corporate Governance

Realizing the importance of corporate governance for sustainable operation, the Board of Directors has adopted the Corporate Governance Code in writing since 2002 as a guideline for itself, the management and Modernform's staff to comply with. The essence is to adhere to the Code of Conduct as well as nurture a reliable, effective, transparent and accountable management system to create long-term confidence among shareholders, investors and all stakeholders. In addition, the CG policy should enhance Modernform's competitiveness; help the company to perform well with financial and investment security while allowing the firm to exercise social, environment and community responsibilities and remain resilient enough to cope with changes. The Code has been constantly updated to reflect practices that evolve according to economic and social conditions as well as to remain compliance with the Act on Securities and Exchange. At present, Modernform has issued its 5th Corporate Governance Code to be in compliance with the CG Code 2017 issued by the Office of Securities and Exchange Commission (SEC), which was approved by the Board of Directors' Meeting No. 6/2561 dated November 14, 2018. The Board meanwhile is required to revise the CG Code for implementation at least once a year.

In 2019, Modernform complied with the CG Code 2017 applicable to listed companies as follows.

Practice 1: Establish clear leadership role and responsibilities of the Board

Roles and Responsibilities of the Board

The Board Charter has been established to clearly separate its roles and responsibilities from those of the management. It also allows the Board to understand its leadership role and responsibility to create sustainable values to the business, pursue the business with ethics and corporate governance, respect the rights and be accountable to shareholders and all stakeholders, contribute to the society, reduce environmental impacts and allocate important resources to fulfill its objectives. The Board will determine main corporate objectives and goals, the Board's structure, its performances, nomination and remuneration practices and promotion of corporate and ethical values as well as the Code of Conduct of both the business itself and its employees. The Board will collaborate with the management

to drive strategies, action plans, risk management practices, resource and budget allocation, HR management as well as auditing and evaluation to achieve the business targets.

In 2019, seven Board of Directors' meetings were held to report operation results on a quarterly basis after the auditor had reviewed and audited the quarterly and year-end financial statements. The meetings were not only to review financial performance but also to approve critical operations such as investment plans for sustainable growth, approval of related transactions, acquisition and disposal of assets and dividend payment.

Code of Conduct

The Board of Directors also puts in place the Code of Conduct in writing as a tool to promote operation transparency. The Code of Conduct encompasses ethics of directors and executives, and practice guidelines with all stakeholders, namely, shareholders, the public sector, employees, customers, suppliers, creditors, competitors, community, the society and the environment. Employee ethics are also stated in this Code of conduct, which was communicated to directors, executives and employees for compliance. The Code of Conduct was published as a manual. Notifications were made and meetings were held. The manual was distributed to all departments and became one of the topics introduced to new staff during the orientation.

Practice 2: Define objectives that promote sustainable value creation

The Board has defined the business's objectives and targets to promote sustainable value creation to the company, customers, suppliers, all stakeholders and the society at large. In addition, all internal units are required to move forward in the same direction. That's why both visions and missions are established not only for the company to have a clearer objective but also to craft out short-term, medium-term and long-term strategies. This in turn helps establishing our business model where the furniture business is identified as the core business of both Modernform and its subsidiaries aimed for sustainable growth with a room to expand investment to other businesses based on changing environment and lifestyle for value creation.

In addition, Modernform has come up with the core values as a corporate norm to encourage practices in the same direction. Employees are informed of the core values when they start working with us on Day 1 and during the orientation session. They are encouraged to perform in accordance with our core values.

The Board will ensure that the objectives and targets as well as strategies for short-term, medium-term and long-term operation are consistent with Modernform's overall targets, which are reviewed annually.

Practice 3: Strengthen board effectiveness

Board structure and director qualifications

The Board has established the board's policy and reviewed the structure of itself and other committees in terms of size, composition, qualifications and ratio of independent directors, executive and non-executive directors for a right balance of power. It also defines roles and responsibilities of various committees and between itself and the management based mainly on Modernform's Board Charter. As of December 31, 2019, Modernform's board consisted of 13 directors, of whom six were executive directors, three were non-executive directors and four were independent directors with diverse knowledge, capability, skills and work experiences. They all fulfilled the qualifications required by the Office of the SEC. Roles and responsibilities between the Board and the management were clearly defined. Details are in the Management Structure topic.

Board of Director's Meeting

The Board holds at least one Board of Directors' meeting each quarter to monitor operation results and other matters. It schedules entire meetings in a year in advance to facilitate board members' attendance. In 2019, the Board convened seven times, which were attended by 98.9% of its members. More details are under Board of Directors' Meeting topic.

Holding office in a listed company

The Board requires its directors to hold office in no more than five other listed companies in the SET so that they will have enough time to efficiently perform its duties and that they can allocate enough time to attend the Board's meetings and those of the committees for effective scrutiny.

The Board's remunerations

The Board of Directors has appointed the Nomination and Remuneration Committee to review remunerations of the

Board, members of all committees with an exception of its own, and senior executives. The Nomination and Remuneration Committee will review and set fair and reasonable remunerations that reflect the Board's responsibilities, the company's performance while comparing them with director remunerations of other listed companies in the same or similar industry with an intent to induce board members to lead the company in a manner that will achieve its short- and long-term goals.

Supervision of operations of subsidiaries and associated companies

The Board ensures that a supervision mechanism is in place to supervise the operation and business units of subsidiaries, associated companies and other businesses in which Modernform had materially invested based on the nature of their businesses. The goal is to monitor business progress, and exchange technology and experiences proven beneficial to the business.

The Board's performance evaluation

The Board and other committees will be evaluated at the end of each year. The Company Secretary will submit an evaluation form to all committees for an annual self-evaluation. Once each committee member completes his/her evaluation, he/she will send the form back to the Company Secretary, who will collect and summarize the evaluation results before submitting them to the Board and the Nomination and Remuneration Committee. Evaluation criteria are as follows.

In 2019, Modernform evaluated performances of the following three bodies through six different evaluation forms, namely,

1. An evaluation form applicable for individual and group of the Board of Directors
2. An evaluation form applicable for individual and group of the Audit Committee
3. An evaluation form applicable of individual and group of the Nomination and Remuneration Committee

The evaluation took place at the end of the year where the Company Secretary submitted the form to each committee to conduct its annual evaluation. After each member completed his/her evaluation, he/she submitted it back to the Company Secretary and subsequently reported the Board and the Nomination and Remuneration Committee for recognition.

Evaluation scores in percentage term were as follows:

1. Excellent - scores between 90-100%
2. Very good - scores between 80-89%
3. Good - scores between 70-79%
4. Fair - scores lower than 69%

Details of evaluation results of the Board and other committees are under the Management Structure topic.

Practice 4: Ensure effective CEO and People management

One of the Nomination and Remuneration Committee's responsibilities is to recruit knowledgeable and capable personnel for the Board's appointment. Those with appropriate visions, knowledge, capability and experiences that correspond to Modernform's corporate culture with excellent performance should be recruited where internal staff is given a priority. In addition, capacity-building training are organized for chairman of the Board, board members, the president and senior executives to enhance their knowledge, necessary skills and qualifications required to drive the company ahead. Besides, a succession plan is drafted for the CEO, the president and senior executives to avoid any operational gap that could jeopardize an effective operation while promoting confidence among investors, the corporation itself and its employees.

For HR management, Modernform has designed the HR management strategy to better reflect our business strategy. A clearer process to incentivize employees through monetary returns, better career path, public acceptance, self-expression and participation in major projects has been put in place. A set of clear and fair tools of performance management is constructively implemented to induce business outcomes. HR resources are efficiently and effectively exploited to make staff happy working with us and enjoy a better quality of life. Modernform's capacity-building activities cover staff of all levels and all types of job descriptions. The evaluation of every level of staff is carried out in a constructive manner. Details of HR management are under the topic of the 2019 Operation and Business Performances and Future Plans.

Practice 5: Nurture innovation and responsible business

The Board has made sure that Modernform is conducting its business ethically with community, social and environmental responsibility. This so-called CSR in process refers to a direct work process and is combined with the CSR after process. In addition, no rights of all stakeholders will be violated. Modernform has adopted a policy and practices with regard to various groups of stakeholders in its Code of Conduct and the Corporate Governance Code. Details are as follows.

Nurturing business innovation

Here at Modernform, we underline and support innovation that will create values to business and will benefit customers and related parties. Our vision is "to strive and create new innovations that inspire the art of living and quality work life." We have set up a product development center to develop and design new products aimed to take advantage of new innovations. We also emphasize the importance of intellectual property. The management and staff must not violate others' intellectual property while Modernform itself actively registers patents in all groups of furniture to avoid any intellectual property violation. In addition, the enterprise IT management has been adopted to reflect business needs in order to increase business opportunity and enhance the operation. The IT management policy and practice was last updated on June 15, 2018.

Anti-corruption practices

Modernform underlines the importance of a fair and clean business. We are against all forms of corruption on the basis of the principles of good corporate governance where we focus on corporate ethics and transparency. As a result, the whistle-blowing policy has been established to oversee all groups of stakeholders. Through the policy, a channel is provided for internal and external whistleblowers to file grievances on illegal actions, unethical performances or corrupted practices. This includes misbehavior of all levels of our personnel and other stakeholders. The policy includes investigation procedures that contain clear, impartial and transparent processes. Protection measures of whistleblowers and related witnesses are also available. The Internal Audit Department is responsible for the operation and monitoring processes. It is tasked to report updates to the Audit Committee and the Board of Directors. The policy is now posted on www.modernform.co.th. In 2019, there was no incident involving any Code of Conduct violation.

Grievance channels:

1. Call center : 0-2-094-9999
2. Email : co.secretary@modernform.co.th
3. Facsimile : 0-2094-9950
4. Postage : Chairman of Audit Committee

Modernform Group Public Company Limited
699 Srinakarindr rd., Phattanakan, Suan Lung
Bangkok 10250

Taking the roles of stakeholders into consideration

One of the priorities given by the Board is that we will conduct our business with a sense of community, social and environmental responsibility. This is reflected through our Code of Conduct adopted in a form of policy on how to treat stakeholders, the society and the environment. Details are as follows.

Shareholders: Our policy is to do business with integrity and ethics. We try our best to develop our business and generate continuous and sustainable returns to shareholders by adhering to the principle of equal treatment to all shareholders.

Employees: We offer fair employment conditions to our employees who will receive both short- and long-term remunerations in a form of, for example, salary and appropriate bonus based on their performances and those of the company. A provident fund has already been established for our staff. In addition, there are capacity-building activities, the HR development plan and the succession plan for those having the potential to advance in their career.

Customers: Modernform commits to deliver satisfaction and confidence to customers to whom we want to deliver quality goods and services. We also commit to further enhance our product standards while safeguarding our strong relationship with customers. This is done through the introduction of new products and innovations translated into excellent and environmental-friendly furniture with all product information properly informed to customers.

Suppliers: We conduct our business with suppliers on the basis of equality, fairness and integrity. The relationship will not lead to any damage to Modernform's reputation nor to any regulatory violation. The Modernform-supplier relationship will be based on mutual benefit and equality where we will avoid a situation that may lead to a conflict of interest. We commit to strictly comply with conditions agreed in advance, for we realize that suppliers are an important player that helps adding values to the standards of our goods and services.

Competitors: Modernform commits to comply with the framework of trade competition with integrity where we strive to conduct our business within the context of legal and ethical frameworks. We will never destroy competitor's reputation nor accuse them without truth.

Community, the society and the environment: Realizing that we are a part of the society we live in, Modernform feels that it's our responsibility to oversee and support activities of

communities around us on the basis of environmental and natural conservation and compliance with the laws on energy and the environment.

Resource allocation and management: The Board underlines the importance of resource allocation and management that will contribute to our expansion into new markets or investment in new businesses by taking into account Modernform's ability to deal with business disruption, strong competition and business risk diversification. The policy is communicated to each business department, and the management is supervised to encourage effective and efficiency use of resources. Effects and progress of the use of resources are scrutinized to ensure effective implementation. Priority is given to financial allocation for investment and development focusing at new innovations that are responsive to changing consumer's behavior, evolving furniture market conditions and innovative equipment and materials. We believe that this will help defining our marketing strategies, designs and services that will clearly capture the needs of our customers.

Practice 6: Strengthen effective risk management and internal control

The Board has established a risk management and internal control policy as a framework for everyone to conduct risk management in a similar manner in order to effectively achieve our core business goals. The risk management policy is reviewed at least once a year where the Board has set up two committees, namely, the Audit Committee and the Risk Management Committee, to conduct relevant supervision. Details are as follows.

1. The Audit Committee consists of three independent directors with competency to perform duty effectively and independently. They help supervising Modernform's business and review the adequacy of our internal control system. The Audit Committee is obliged to hold a meeting at least once a quarter to review financial statements already audited by auditors and see if Modernform's internal control system is effective and adequate to protect shareholders' investment and Modernform's assets within five components and 17 principles under the COSO Framework. The Internal Audit Department, which directly reports to the Audit Committee, is entrusted to supervise and review the operation system and evaluate the effectiveness of its internal control system on an annual basis. (Details are under the Internal Control topic in the Annual Report).

2. The Board appoints the Risk Management Committee with clear roles and responsibilities to systematically manage risks exposed to all work processes. The risk assessment process is defined to reflect Modernform's core objectives and strategies by identifying risks, analyzing internal and external risk factors, and assessing and responding to risks. Measures, scopes and practices are communicated to executives and staff for implementation in order to reduce or control risk arising from business uncertainty, competition risk, investment risk in subsidiary and associated companies, financial risk, and risk from raw materials and IT operation systems. (Details are in the Management Structure in the Annual Report).
3. The supervision policy also prevents executives and related party from using inside information for their benefit of themselves or someone else's. Executives and staff accessing internal information not yet disclosed to the public may not sell, buy or get transfer or persuade anyone to buy or sell Modernform's securities one month prior to the day the public disclosure. Executive officers are required to report the Office of SEC their shareholding of Modernform's equity whenever there is such a change according to Section 59 as stipulated by the rule. The Audit Committee meeting must be immediately held on the day the auditor completes his/her auditing of the quarterly/ annual financial statements to solicit any opinion and submit them to the Board of Directors' meeting for approval on the same day. The financial statements are to be submitted to the SET on the same day or no later than the following morning for transparency purpose. Penalties and measures are stated in writing against any violator.
4. Directors, executives and related parties are to report Modernform any interest of themselves or related persons in relation to the management of Modernform/subsidiaries. The Board must submit a report of interest of its directors and their related party to the Company Secretary within seven days following the change of shareholding for further report to the Audit Committee and the Board of Directors.
5. The Board has a clear anti-corruption policy in place. By becoming a signatory of Thailand's Private Sector Collective Coalition against Corruption (CAC) in 2016, we have pledged to the importance of conducting a business with integrity and we are firmly against all forms of corruption. The anti-corruption policy and practices are clearly defined and communicated to all employees. Details are as follows.
 - 5.1 Executives and staff must comply with the Code of Conduct.

- 5.2 Executives and staff are prohibited to seek interest from customers, suppliers, creditors, debtors and private and public agencies. Nor shall they exercise their authority to seek any interest.
- 5.3 Executives and staff are prohibited to offer any interest to customers, suppliers, creditors unless during festivities, which must be of an appropriate value and without business commitment.
- 5.4 Giving to or receiving gifts from customers, suppliers and creditors should be avoided unless during festivities, which must be of an appropriate value and without business commitment.
- 5.5 Cheating, copying and deceiving others through the act of expressing or displaying false statements or information are prohibited.

Practice 7: Ensure disclosure and financial integrity

The Board feels that it is important to ensure the integrity of the company's financial reporting system and that timely, accurate and transparent disclosure of all material information is made in consistent with applicable requirements. This includes communication and disclosure of information to shareholders, general investors and all kinds of stakeholders by publicizing the information under various topics in the annual report, Form 56-1 and www.modernform.co.th. The published information includes details of the Board of Directors, shareholder's structure, list of the first top ten shareholders, the corporate governance policy, financial statements, the management structure, statements of profit and loss and operation results.

The Board also underlines the importance of financial integrity where it has established qualifications of Chief Finance Officer (CFO) and financial controllers to meet the SET's criteria. In addition, financial liquidity is monitored, planned and controlled to properly reflect Modernform's financial activities. The MD&A is prepared and supported by figures of operation results, policies and trends as well as by successes and obstacles of the business as part of the disclosure of quarterly-based financial statements. The Board also generates its responsibility report for financial statements to shareholders and investors so that they can be confident that accounting information is accurate, adequate and complete. Modernform's financial statements as of December 31, 2019 were unconditionally certified by the auditors.

Regarding the disclosure of information and transparency, the Board feels that disclosing accurate and complete

information in a timely fashion with transparency is very important. This refers, for example, to the disclosure of an adequacy of the internal control system, the auditor's opinion to the financial statements and the Audit Committee's opinion. Adequate disclosure of transactions between the company and other connected persons ranging from the management to major shareholders, controlling persons and subsidiaries or associated companies allows investors and shareholders to transparently access detailed information upon approval

measures governing connected transactions between listed companies and associated or subsidiary companies, controlling persons or the management as prescribed by the SET. A policy to prevent the management and related personnel to illegally use inside information for the benefit of their own or others is also in place. In addition, executives are required to report to the SEC their securities holding every time there is a change of such holding in accordance with Section 59.

Report of changes in the company's shareholding of directors and executives in 2019

No.	Name	Title	Shares as of October 8, 2018	Shares as of October 4, 2019	Number of shares changed (+/-) 2019	Proportion shares of in the company
1	Mr.Thaksa Busayapoka	Chairman and Chief Executive Director Spouse and underage children	19,846,000 12,176,000	19,846,000 12,176,000	0 0	4.27%
2	Mr.Yothin Nerngchamnong	Executive Directors Spouse and underage children	25,746,420 6,042,000	25,962,820 6,042,000	+216,400 0	4.27%
3	Mr.Somsak Varikarn	Executive Directors Spouse and underage children	85,000 -	0 -	(85,000) -	0.00%
4	Mr.Patana Usanachitt	Executive Directors Spouse and underage children	811,750 -	811,750 -	0 -	0.11%
5	Mr.Kookiat Orankit	Executive Directors Spouse and underage children	- 4,000	- 4,000	- 0	0.00%
6	Mr.Kitipat Nerngchamnong	President Spouse and underage children	4,500,000 -	4,500,000 -	0 -	0.60%
7	Mr.Chareon Usanachitt	Director Spouse and underage children	4,542,000 10,558,660	4,542,000 7,592,660	0 (2,966,000)	1.62%
8	Mr.Kavivud Nerngchamnong	Director Spouse and underage children	27,504,000 -	27,504,000 -	0 -	3.67%
9	Mr.Kitti Busayapoka	Director Spouse and underage children	369,360 -	369,360 -	0 -	0.05%
10	Mr.Suparerk Mallikamari	Independent Director Spouse and underage children	- -	- -	- -	0.00%
11	Mr.Suchart Thammapiatgul	Independent Director and Chairman of Audit Committee Spouse and underage children	- -	- -	- -	0.00%
12	Mr.Kittichai Lattisophonkul	Independent Director and Audit Committee Spouse and underage children	15,000 -	15,000 -	0 -	0.00%
13	Mr.Surachai Sonthirathi	Independent Director and Audit Committee Spouse and underage children	- -	- -	- -	0.00%
14	Mr.Somkiat Pavaritpong	Executive Vice President Spouse and underage children	- -	- -	- -	0.00%
15	Ms.Natcharintorn Siriwattana	Executive Vice President Spouse and underage children	- -	- -	- -	0.00%
16	Ms.Sawangjit Pongpipatpong	Senior Vice President Spouse and underage children	10,000 -	10,000 -	0 -	0.00%
17	Mr.Buddhiwat Wiboonsathien	Senior Vice President Spouse and underage children	- -	- -	- -	0.00%

Practice 8: Ensure engagement and communication with shareholders

The Board is aware of fundamental rights of shareholders, as it takes into consideration their best interests without favoring any group of stakeholders in particular. In addition, shareholders are entitled to make a joint decision in a critical matter together with the company. Adequate and updated IT information must be provided. A policy has been adopted to facilitate and promote the attendance of the Annual General Meeting of Shareholders (AGM). The Board has come up with the following practices:

1. Modernform has nominated Thailand Securities Depository Co Ltd (TSD) as its registrar to facilitate shareholders in registration matters concerning Modernform's securities.
2. Shareholders are allowed to nominate a candidate as a member of the Board of Directors, propose a meeting agenda and submit questions in advance to the AGM. In 2019, shareholders were to submit questions between December 13, 2018 and January 18, 2019, which would be posted on Modernform's website from December 13, 2018.
3. The Board sets a record date for shareholders who will be entitled to attend the AGM if their names are listed at the end of the record date. The record date has to be set before the AGM no more than two months in advance. In 2019, the record date was March 18, 2019.
4. An invitation to the shareholders' meeting in Thai and English languages with details of meeting date and venue and the posting of such invitation and supporting documents must be done in advance for at least 28 days prior to the shareholders' meeting date as announced by the Office of the SEC to allow shareholders enough time to study. The notice to the meeting must be published in a Thai-language daily newspaper no fewer than three days prior to the meeting. In 2019, Modernform sent the invitation out on March 20, 2019, or 33 days prior to the shareholders' meeting date scheduled on April 23, 2019.
5. Necessary information and supporting documents with facts, reasons and opinions of directors in each agenda must be adequately given in the invitation to attend the meeting together with the following meeting agendas:
 - **Agenda for acknowledgement:** Matters already carried out by the Board without the shareholders' meeting resolution must be reported.

- **Agenda for consideration:** Basic and critical matters requiring approval from the shareholders' meeting in relation to legal enforcement, requirements by the Articles of Association and those considered appropriate to be submitted for shareholders' approval must be specified. This includes matters with positive or negative impact to the company, and shareholders and directors' opinions in the agenda.
- **Dividend payment agenda:** Information of the dividend payment policy, actual dividend paid in comparison to the policy, comparative information of dividend paid during the past year and reason why no dividend is paid must be specified in this agenda.
- **Director's appointment agenda:** the following information must be included in the agenda:
 - Nomination rules and procedures
 - Types of nominated directors
 - Preliminary information of candidates such as age, education, work experiences, shareholding ratio, number of years in directorship, number of listed companies and general companies he/she is a director
 - Performance results during his/her previous tenure as a company director such as meeting attendance record and past contribution to the company
 - No holding of office in any business with a material conflict of interest to the company's business
 - In case of appointment of independent director, the following information must be included: definition of independent director and absence of interest in the company, subsidiary and associated companies or other entities with a potential conflict of interest.
 - A separate voting ballot for appointing each individual director will be used in this agenda.
- **Remuneration agenda:** the following information must be included: remuneration policy and rules applicable to board members and members of committee, remunerations in the monetary form and other rights or privileges obtained while being a director, supporting information such as comparative information during the past 3-5 years.
- **Auditor's appointment agenda:** the following information is required: auditor's name and his/her office, comparative audit fees in three years to determine if the fee is

appropriate, experiences and independence of auditors, relation with the company such as shareholding ratio, consultancy status, number of years being the company's auditor, reason for auditor change in case of an appointment of new auditor and his/her status as an auditor of a subsidiary and an associated company. This has to be approved by the Audit Committee with opinions from the Board enough for shareholders to make a decision.

6. The meeting date is scheduled on a normal working day and at a venue convenient for shareholders to travel to in Bangkok.
7. Shareholders are allowed to register at the AGM meeting approximately an hour before it starts.
8. Technology such as the barcode system is used at the meeting to register shareholders, counting votes and display voting results to ensure speedy and accurate meeting procedures.
9. At least one independent director is designated as the proxy to attend the meeting on behalf of any absent shareholder in a proxy form that designates no one as its proxy.
10. Shareholders and the proxy in case shareholders could not attend the meeting themselves are required to present evidences such as the proxy form of Ministry of Commerce, ID Card, certificate of incorporation issued by Ministry of Commerce and other documents required for registration to attend the meeting together with proxy details as stated in Proxy Form A or Form B sent with the invitation to attend the meeting.
11. All directors are to attend the meeting including chairman of various committees.
12. Independent persons are entrusted to count/check votes, inform the meeting and record it in the minutes of the meeting.
13. Chairman of the Board will be chairman of the meeting, who will notify the number of shareholders attending the meeting and their votes prior to the start. Chairman should also inform voting procedures to shareholders before the voting takes place, the use of voting ballots based on an order of meeting agendas and a separate adoption of a resolution for each separate item in any agenda with various items to vote.
14. Directors with interest are required to refrain from voting in the agenda.
15. All shareholders have an equal right to express opinions and ask questions in a session for which enough time is properly allocated. In addition, questions and important recommendations from shareholders are comprehensively recorded in the minutes of the meeting.
16. The AGM's resolution together with voting scores must be disclosed through the SET's information system after the end of the meeting or no later than 9.00 hours of the following morning.
17. The Company Secretary is to complete the minutes of the meeting within 14 days from the meeting date with all material information including directors and executives attending/being absent from the meeting and the attendance ratio, questions, answers and opinions and full name of persons asking and answering the questions and voting results indicating for, against or abstention in each agenda. The resolutions of the meeting and the minutes will be sent to the SET as required by its rules and posted at Modernform's website for reference without having to wait till the next meeting.
18. Shareholders may exercise their rights to oppose to the meeting or any resolution adopted by the shareholders' meeting if they see that it's not right or against the laws within 30 days from the meeting date.

For the year 2019, Modernform organized various activities to publish and clarify information including opening opportunities for participants to ask transparently questions. The activities including an analyst meeting to inform business profit quarterly, Press conference and face to face interview are held to publish the information to investors and analysts both in Thailand and from abroad. The high-level executives attending activities related to Investor Relation as follows

1. Analyst meeting to clarify the quarterly operation, 4 times, the analyst about 10 participants per time
2. Press Conference, 4 times, the mass about 30 participants per time
3. Opportunity Day organized by the Stock Exchange of Thailand 1 session with analysts and investors attended about 40 people.

Modernform has given priority to the corporate governance since the principles are helping us strengthening our corporate development. We have evaluated our performances under the 2017 CG Code on the basis of each principle to ensure that we have fully complied with the Code. In 2019, we followed recommendations of the Institute of Directors (IOD) on the basis of our circumstances. Yet, there were certain areas we still did not follow through. Details are as follows.

Principle/Best Practice	Explanation
1. The training on anti-corruption practices should be held for all employees.	Acknowledging the recommendation, the Board is of the view that the training should be held to inform the matter to all employees.
2. CEO's remunerations should be disclosed.	Acknowledging the recommendation, the Board feels that at present, the company has no remuneration policy other than the one that pays remunerations to directors or employees.
3. Directors and independent directors should be in the office for no more than three terms or nine years from his/her first-term appointment.	When the term of director and independent director is up, Modernform allows shareholders to nominate qualified candidates for directorship annually. However, no shareholder proposed the candidates within the timeframe. Besides, our directors and independent directors are highly experienced and truly understand the nature of our business. They have offered us useful advices. That's why the Nomination and Remuneration Committee proposed that independent directors whose terms were due be re-elected.
4. A minimum meeting quorum should be adopted. In addition, while a resolution is adopted at the Board's meeting, the regulation should require no less than two-thirds of all directors be present at the meeting.	Acknowledging this recommendation, the Board is of the view that it has complied with the Company's Articles of Association governing the Board's meeting, which requires that no fewer than half of all directors be present to form a quorum. In practice, every year in the past, the Board's quorum was always higher than 90%.
5. The Board should evaluate the CEO's performance.	Acknowledging this recommendation, the Board is of the view that the CEO has been appointed by the Board's meeting after his skills, capacity, experiences and qualifications were found to remain consistent with the company's requirements and the SET's and the SEC's rules and regulations.
6. Chairman should be an independent director.	Chairman is a highly-experienced person who has been in our business for a long time and therefore can offer valuable advices.
7. The Nomination and Remuneration Committee should consist of independent directors only.	The Nomination and Remuneration Committee consists of five members of whom one is an independent director, another is a director and three are executive directors. The component of the committee is appropriate and allows it to effectively perform duties.

Corporate Social Responsibility Report

Modernform believes that to become a sustainable organization, aside from earning trust in our quality and services, we must pursue the business with transparency, accountability and governance. Our staff should be nurtured to work with integrity, consciousness, ethics as well as environmental and social awareness. That's why we commit to create these values together with the society by acting responsibly to sustainable growth of the environment and the society at large using the CSR-in-Process and the CSR-after-Process and taking into consideration sustainable development in economic, environmental, social and governance dimensions.

The world is experiencing disruption in the areas of technology, economy, social change and competition. Expectations of consumers and various stakeholders become increasingly complicated. To adapt ourselves to meet with changing needs and desires, Modernform has offered an opportunity for all stakeholders to express opinions and offer advices that could affect the business and stakeholders in various forms for us to act in a timely fashion to prevent possible impact. Opinions can be directly submitted to directors by emailing them to co.secretary@modernform.co.th, by calling our call center at 0-2094-9999 or through the Investor Relations email at ir@modernform.co.th and enquiry@modernform.co.th where all opinions on product and service quality, delivery and installation and other recommendations will be collected. Modernform has established a unit directly responsible for inquiring opinions and soliciting advices from customers after furniture installation. We also meet with suppliers to discuss new product information to improve our goods and services. We conduct staff satisfaction survey of which the results are used to improve the overall organization management.

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. Conducting business with fairness

Modernform conducts our business on the principles of integrity, compliance, fairness, corporate governance and protection of rights and interest of stakeholders. To ensure equal protection, best treatment to everyone and equal and fair compensations to every party, we have adopted

the principles of corporate governance since 2002 as well as the Code of Conduct that have been communicated to staff through their supervisors to create fair and effective performance. This is reflected through our Work Regulations, Section 5, Clause 4.1 where employees are required to comply with the Code of Conduct of executives and employees already announced. Clause 5.5 prohibits staff from using their duty and responsibility or their job opportunity to seek profit considered conflicting with their professional ethics, work regulations or the laws.

Modernform will not do any business with suppliers that are likely to violate the laws or intellectual property or who may dampen the company's reputation. We commit to lawful and ethical trade practices on the basis of mutual interest and equality. Realizing that suppliers add onto better standards of goods and services, we have adopted the procurement regulations and best practices to work closely with suppliers to create a strong network for business development and new innovations for the best interest of each other.

We underline the importance of intellectual property, which is one of the clauses in the Code of Conduct of our executives and employees, where we commit not to violate the intellectual property of local and international businesses. A clear practice has been made in writing and communicated to our staff regarding the violation of intellectual property rights or copyrights covering products and trademarks of our own, suppliers or third-party partners. The practice also covers computer software and the information technology system. Details are as follows.

1. Compliance with the laws relating to intellectual property of Thailand and others with whom we conduct business.
2. Protecting and safeguarding Modernform's intellectual property locally and internationally including not violating other's intellectual property rights.
3. Safeguarding important documents, trade secret and other confidential information of suppliers and stakeholders where only related personnel could access them.
4. Refrain from copying, adapting or seeking personal benefit from confidential information or intellectual

property of the company itself, suppliers and stakeholders.

5. Reporting supervisors if an intellectual property right violation or an attempt that may lead to violation or dispute is found.
6. Cooperating and supporting the intellectual property right policy of both public and private sectors.

In addition, we are aware of and tighten our action regarding the sending of information and photos through personal communication devices via an application network, social media and social network to protect the society and ourselves. This has been stated in Section 5, Clause 8 of our Work Regulations Re: Use of social media, to mitigate effects to employees, the organization and the society.

2. Promoting anti-corruption practices

We strive to do business with transparency and are more than eager to support suppliers who exercise integrity to jointly fight against all forms of corruption under the principles of corporate governance. We have expressed our anti-corruption pledge at the “2019 anti-corruption pledge of intention by the Thai private sector” and adopted the whistleblowing policy already announced on November 13, 2018 to encourage everyone to be part of the corporate governance. We listen to opinions and viewpoints from staff, the third party and other stakeholders to enhance efficiency and strength the management. The policy has been posted on our website at www.modernform.co.th, with details of what we will do when a grievance or a complaint is made. The policy also clearly indicates how whistleblowers will be protected. Filing channels are as follows.

Postage : Chairman of Audit Committee
Modernform Group Public Company Limited
699 Srinakarindr rd., Phattanakan,
Suan Luang, Bangkok 10250

Facsimile : 0-2094-9950

Email : co.secretary@modernform.co.th

Internally, the Internal Audit Department, which directly reports to the Audit Committee, will conduct regular internal auditing based on the existing system before reporting the result to the Audit Committee. This way, the internal auditors could work independently and reports the investigation openly. If corruption, suspicion of corruption or illegal practice, or other unusual activity that could materially affect Modernform's reputation and financial position arise, the incident must be immediately reported

to the Audit Committee for remedy within a reasonable timeframe. The management must report progress of such remedy or in relation to the incident 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. Respecting human rights

We treat our employees on a fair and equal basis without discrimination in accordance with the principles of fundamental human rights as well as the ILO Declaration on Fundamental Principles and Rights at Work where respect is given to human dignity, right and liberty. Other practices include protection and prevention of human right violation of employees, joint venture partners, business partners (suppliers, contractors and customers) and local communities.

We have implemented a recruitment policy through which skills, knowledge and experiences are considered and respect is given to freedom, race, religion, gender, skin color, ethnicity, social status, health, education, work rights and social status. We will never use child labor and we are against all forms of sexual harassment. We allow employees to express their potentials and offer opportunities to enhance their capacity and skills. We encourage staff to understand the international principles of human rights for the right practice. In 2019, Modernform hired disabled workers totaling 0.85% of the entire workforce and we have not yet received any complaint regarding human rights violation.

4. Fair labor treatment

At Modernform, we believe that human resources are the great asset behind our growth and it enables us to move forward in a sustainable manner. That's why we respect employee's rights based on the principles of human rights, comply with the labor laws, underline the importance of employee development and advancement at both operation and management levels. This reflects through our human resource management policy that focuses at

fair treatment seen through wages, remunerations, welfare, safety and health issues and workplace conditions. No child labor is used here. Support is given to allow employees to work happily with quality of life. Employees have an opportunity to express opinions, to file grievance on unfair treatment or to reveal wrong-doing in our organization while being protected. Details are in Modernform's Work Regulations, Section 6 Re: Grievances.

Wages and remunerations

Our fair employment policy and fair employment conditions mean an opportunity to jointly nurture the growth of our employees in their career paths where everyone is entitled to advance on a fair basis and where no difference in terms of race, color, religion, political views and age is used for recruiting a person. Remunerations and evaluation is made on the basis of employee's performances through a fair evaluation process.

Welfare and employee relations

Modernform has provided welfare as required by the law that takes into consideration basic living conditions such as social security. However, we also offer welfare that is beyond what's the law requires to improve quality living such as annual health check-up, which is varied according to the employee's age groups, accident insurance and assistance in various forms such as marriage assistance and funeral expenses when employees or their love ones pass. The Welfare Committee has been set up to allow employees to participate and propose other welfare alternatives aside from the basic ones that everyone is entitled to. Each year, employees are encouraged to exercise, play sports and enjoy favorite activities together to strengthen bonding.

We have established the provident fund to which Modernform has contributed 5% of employees' salaries to the fund for employees based on their years of service. Employees themselves may opt to pay 5% to 15% of their salaries to the fund depending on each person's wish to save and invest.

Health, Safety, Security and Environment (HSSE)

We have adopted the HSSE policy and appointed the HSSE Committee with a purpose to promote safe work in every procedure, provide quality of life to employees and strive to be a leading furniture manufacturer with safe production processes. The target is zero accident that causes no absence from work. A safe work practice manual has been

made as a guideline for everyone. Roles and responsibilities of all employees at every level are as follows.

- Modernform provides safety information and organize safety training to employees as well as publicized safety news and information.
- Modernform considers that work safety is everyone's responsibility to realize a safe workplace.
- We support and promote the improvement of workplace environment and safe work practices as well as the use of appropriate prevention devices for everyone's wellbeing.
- A policy to set up the HSSE committee in every project has been adopted.
- All supervisors are obliged to oversee the safety issue of those under their line of command for strict compliance with safety regulations.
- We support safety promotion activities organized by every department.
- We will arrange monitoring and evaluation of practices based on the HSSE policy to ensure the most effective implementation.
- We take into consideration performance and collaboration to comply with the HSSE rules and regulations as part of the employee's annual performance evaluation.

In 2019, the HSSE management resulted in 15 employees being injured from work accident of whom 12 were absent from work and 3 were not.

5. Responsibility to consumers

Modernform gives priority to customer satisfaction and benefits. We commit to develop and enhance our products and services by focusing on a variety of furniture to be offered at reasonable prices. We pay attention to standardized quality and provide complete and accurate product and service information as required by customers with transparency and with no distortion. Product and service guarantee based on Modernform's conditions as well as the product liability insurance have been offered to customers. The Customers Relations Department has been set up to directly handle customer complaints while a customer satisfaction survey is conducted to ultimately respond to customers as quickly and extensively as possible. Details of our practices are as follows.

- We commit to create products and services that respond to consumer's needs.

- Modernform has adopted the ISO 9001 system for quality assurance so that customers can be confident in the accountability of our production processes.
- We have built a product test lab overseen by material experts to ensure that our products are up to or even higher than international standards and this applies to furniture made by us and imported one so that customers can be confident in our quality, Modernform is one of the pioneers to establish the standards of Thailand's furniture industry. We start providing complete product and service information to enable consumers to make a right decision. The information is disseminated through various accessible channels.
- We will not distort the information or express information about our goods and services in a way that sounds ambiguous, overly stated or susceptible to misunderstanding.
- Consumer information is safely kept subject to consumer's consent. This will be handled through fair and lawful means where consumers are informed of the objectives behind the collection and implementation of personal information prior to any action. Consumer information will not be shared with others unless consent is received. Consumers are allowed to check the accuracy and use of information under the laws. If any error or unfairness is encountered during the collection and implementation of the information, remedy must first be made.
- Modernform offers assistance and answers to consumer's questions to clarify understanding about our services.
- We provide channels for customers to file complaints and express opinions to improve our services.

6. Environmental protection

Realizing the significance of the environment to sustain our business, we commit to effectively use resources and are ready to support activities that take care of the environment and energy. We commit to strictly comply with the laws governing the environment and energy and we try to avoid activity that could trigger environmental impacts.

In terms of production, we start at the design stage, which is the very first, through a design process that focuses on effective use of resources and selection of proper materials and environmentally-friendly and energy-

saving activities. For example, we choose low-formaldehyde wood or engineered wood that use less formaldehyde as glue. We also reduce the use of materials with environmental impact by replacing real wood with engineered wood, reducing production processes to save energy, introducing systematic material waste management to cut down the amount of waste, minimize warehousing space and lessen energy used in the transportation by relying upon the logistics. Finally, we have adopted a policy to manage waste materials, industrial waste and generate waste to minimize manufacturing pollution and reduce effects to the society at large.

In the office environment, Modernform promotes environmental conservation awareness among our employees through the use and recycling of resources for ultimate benefit. This includes the use of two-sided paper and the turning off of air conditioners and fans during lunch break.

Resource management

- Our new pollution-free Sense Series sofa is made of chrome-free genuine leather without heavy metal during the production process. It's an environmentally-friendly product that poses no harm to buyers. Stuffed materials are made of micro gel proven better than synthetic fibers as it allows ventilation and guards against mite.
- The OPTI Planning Process has been implemented during the woodcutting process to reduce costs, waste and design-generated waste.
- A work online project is adopted to allow people to work through computer systems to reduce work processes and encourage a paperless office.
- Water-based paint is now a standard of our production to reduce the use of thinner and solutions to maintain better air quality and keep employees healthy.
- The opening of Modernform Outlet as a channel to sell furniture made of material leftover from the management of our manufacturing process for ultimate use.

ISO5001 energy certification system: This reflects our continued commitment to create a standard of operation management in a systematic manner where employees are encouraged to take part in taking care the use of energy in our organization.

ISO14000 certification system: This refers to the standard of environmental management starting from design to production, delivery and service. The entire system encourages an organization to continuously enhance their environmental-related practices.

During the past year, we managed to get rid of painting waste as a result of our standardized production process aimed to reduce environmental impacts. General Environmental Conservation Public Company Limited was entrusted to conduct the task.

7. Community and social development

The “society” is critical for the sustainability and growth of our business. As a corporate citizen, we believe that we have responsibility to the country, communities and the society. We can start small, at our employees, who are the heart of our operation, to promote our capability and competitiveness, before extending to communities and the country. Our policies and practices in this area are as follows.

1. Creating awareness to the community and the society among employees of all levels.
2. Refraining from doing business that worsens social conditions and violates personal rights of others.
3. Requiring preventive and mitigation measures against community and social impact.
4. Collaborating with and supporting local authorities for their community development work
5. Supporting public interest activities
6. Nurturing relationship between Modernform and neighboring communities

The following are community and social development activities that we continued to organize in 2019:

- Granting 35 scholarships to students from 23 universities in Bangkok and regionally to support the education of Thai kids.
- The “Modernform Together Run” event held for the second consecutive year was organized to urge our staff to exercise together through running at a place and time they felt most convenient. The distances were then accumulated on the virtual run. Modernform committed to donate Baht 1 to every 1 km virtual run during the two-month period from October 1-November 30, 2019. Donations would then be given to support education to the less fortunate.

Not only staff became healthy, the event also created a chance for everyone to bond together. It also represented collaboration among employees, for they all wanted to achieve the same goal. In the end, 1,124 employees ran at the event and accumulated 175,843 kilometers. As a result, Baht 100,000 was donated by Modernform to the HRH Princess Maha Chakri Foundation while another Baht 20,000 was donated to the “Our Kids Love to Study” fund, which supports education of school-age kids of our employees.

- Through the 2019 “Share Dream, Share Love” project, we donated Baht 1,265,743 worth of books, school materials and rest space for kindergarten students in 10 schools under Ministry of Education in Bangkok and other provinces. Modernform staff helped designing furniture that responded to student's needs.
- Baht 80,000 was donated to eight schools in Bangkhunthian District, Bangkok, to support the organizing of Children's Day event.
- Collaboration with the Electricity Generating Authority of Thailand (EGAT) in a voluntary project to donate desks, chairs and medical supply boxes to schools in Tak, Chiangrai and Roi-Et provinces.
- Organizing a reforestation project at the Bangpu Recreation Center with Toyota Motor Thailand._

Internal Control

The Board of Directors has entrusted the Audit Committee to supervise the management to establish an effective and adequate internal control system that can safeguard investors' money and Modernform's assets while covering five components of the effective internal control. At the same time, we have aligned our internal control system to this new concept where the system is properly linked with each component of the internal control practice and where it can be tangibly implemented. The Internal Audit Department remains independent as it directly reports to the Audit Committee, which conducts auditing, reviews operation systems and requires the assessment of the efficiency and adequacy of the internal control system annually. In 2019, the Board of Directors was of the view that Modernform's internal control system was adequate and proper and that it reflected the nature of its business. There was no defect in the internal control system that may have caused any material effect to its reliability. This can be summarized in five components and 17 principles under COSO's internal control framework as follows.

1. Control Environment

The Audit Committee plays a pivotal role in nurturing the culture of internal auditing, as it requires the Internal Audit Department and external auditors to submit a quarterly internal audit report designed to assess if the internal auditing is adequate. It is critical to build a healthy control environment as a strong foundation for our internal auditing system. Report criteria are as follows.

- 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.
- 1.2 The Board of Directors has established an appropriate structure, authority and responsibility by currently dividing the business into 8 business units and 6 support units with a clear line of command to support

the management's operation for proper check & balance. In 2019, Modernform re-adjusted the management structure of its internal departments considered critical to cost-cutting, including, among a few, the procurement division, in order to enhance efficiency and competitiveness. In addition, the project management division was also restructured to reduce costs and risks incurred from debt collection whereby a system was put in place to supervise the entire procedure from start to finish by linking the sales department to the legal department, production, delivery & installation, project coordination and collection to increase the efficiency of progress report. Besides, supervision authority was decentralized from project managers to operators and related departments as necessary and appropriate during the operation. Project management costs were controlled to create a sound control environment while ensuring that business objectives could be met.

- 1.3 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.
- 1.4 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 co.secretary@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. In 2016, Modernform declared our intent to enter a process of collective action by the private sector in countering corruption under an initiative called the Private Sector Collective Action Coalition against Corruption, which has received full support from the government and the Office of the National Anti-Corruption Committee (NACC). 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.

- 1.5 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.

- 1.6 Demonstrates commitment to competence, the Company hiring policy is based on competency, knowledge and experiences required for each position. In this regard, required education levels are specified and job descriptions are constantly updated so that staff with necessary and appropriate knowledge and skills can be selected for effective operation. 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. During the past year, Modernform focused on the enhancement of staff capacity on the basis of our strategy where we linked the performance system with staff remunerations, bonus payments and annual salary increase.

2. Risk Assessment

Modernform has realized the importance of managing both internal and external risks that could affect our business and that's why we have entrusted the Risk Management Committee, which consists of senior executives at department level, to keep corporate risks at an acceptable level. Key Risk Indicators were established within the risk management policy to identify and monitor potential risks by evaluating and managing internal and external risks that extended to all business aspects, be it strategy, financial operation, compliance, changing circumstances and risks from fraud and corruption. This was also divided into business level, corporate level and department level so that risk management could be adequately and timely managed. The Risk Management Committee convened on a quarterly basis. Risk factors from internal and external changes that could affect Modernform were also periodically reviewed and reporting was required.

3. Control activities

Modernform has put in place a process to select and develop control activities. In 2019, we emphasized at preventive control to prevent adverse risk and minimize damage should any risk occur as follows.

- 3.1 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.
- 3.2 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 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.
- 3.4 Set the scope of delegation of authority of each department and the amounts an executive may approve - this is to ensure that both the amounts and approval authority of each type of transaction by each level of managers are clearly stated. The delegation of authority is carried out to assure the management that approval is properly made and the management's discretion is duly exercised on the basis of the internal control principle in which division of labor exists for appropriate review.
- 3.5 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.
- 3.6 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.

- 3.7 The Internal Audit Department is tasked to monitor and review compliance to reduce business risks and maintain our reputation where the evaluation of our internal control system is based on the COSO 2013 Framework in three aspects, namely, operation, reporting and compliance. In addition, the evaluation assesses if the internal control is in line with the evaluation form of the adequacy of the internal control system designed by the Securities and Exchange Commission (SEC) or not. In the end, this is submitted to the Audit Committee and the Board of Directors for approval and publication in the Annual Report and the 56-1 Report.

The Internal Audit Department has also created the 3 Lines of Defense (LOD) Model based on the risk management and control practices, namely, the first, second and third line. While the first line of defense takes place at the Business Unit (BU) and the Support Unit (SU), who, as the originator of work, create a system that allows them to check what they have done to increase their own internal control efficiency, the second line of defense refers to departments whose work is relating to each BU and SU. These departments help build the control system by adding control points to tighten the inter-department workflow. Finally, the third line of defense refers to the Audit Department who independently conducts the internal control assessment. It will audit and monitor auditing results on a continued basis based on material risks or troubled issues to the business where its auditing will be carried out along with the auditing frequency criteria. In 2018, the Internal Audit Department communicated its roles and responsibilities to supervisors and operators for a better understanding and implemented the LOD Model in its internal control and auditing practices to create high value services with a purpose to encourage other departments to establish practices that extended to supervision and risk management for a better internal control system to enhance transparency and traceability.

- 3.8 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 and keeping data records in a computerized system as required by Section 26 of the Computer Crime Act (No. 2) where crucial data was safely stored in our IT system with log files detailing system access and internet access logs with details of user ID, IP address and time and date of internet access.

- 3.9 Review the internal control system to find out that there were both manual and automated control systems implemented at the same time; develop operating software under the MOS system to create the operation control report as a preventive measure to ensure that Modernform's internal control system is efficient, precise and adequate.
- 3.10 Prepare a guideline to conduct a statistical analysis of each operation system so that both staff and managers can use it for statistical processing, which will yield operation information, identify major risk factors, control defects and monitor irregular transactions in a timely fashion. It will also reduce financial operation risk or management risk so that all policies, principles and standards of the management control and internal control systems can be actually implemented for efficient and effective internal control.
- 3.11 Conduct supervision to ensure Modernform's strict compliance with Department of Revenue's requirements, those of the Stock Exchange of Thailand or rules and regulations of relevant government agencies.
- 3.12 Review weaknesses or defects within the internal control system or process that may become a material risk to corruption; create a reliable process that can control

4. Information & Communication

- 4.1 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. The IT and information systems were developed to reflect reality with necessary details and updates so that they would be ready for use at any time. The IT Department constantly updated data in the IT system by clearing its database and by ensuring that every department accessed the same database to maximize the use of information in the IT system. Not only that this helped enhancing efficiency in the work process but it also reduced operating procedures, making the process precise, resilient and safe under the IT safety policy.

- 4.2 Modernform has paid a close attention to the IT Governance principle, which supervises the use of the IT system for maximum benefit and safety taking into account risks from fast-paced technological disruption, network safety and effective and timely data management.
- 4.3 Modernform revised and adjusted its IT policy to meet the COBITS Standard (Control Objectives for Information and Related Technology) based on ISACA's Guidelines (Information Systems Audit and Control Association), which supervises testing standards for the IT auditing and control. The review aimed to keep up with new disruption and to make sure that all policies covered the technology we had implemented. The idea was to prevent damages to the system or network and to safeguard important

data at the maximum level. The policy was classified based on user groups to facilitate their uses, which were varied according to the nature of their businesses. Modernform also audited the IT system using the COBIT 5 Standard as a framework to supervise and manage our corporate IT to enable us to achieve our business goals while maximizing from the system and creating confidence from the use of IT resources. We have already stepped up our system to safeguard data safety and business confidentiality and prevent the misuse of the information or unauthorized data change. We implemented the policy to ensure data safety by, for example, setting up user authorization, restricting rights to important information and annual review of such rights, backing-up critical corporate data, allocating and managing IT resources by prioritizing the IT plan, managing IT resources by evaluating needs of each department and prioritizing the IT plan to respond to business strategies. During the year, the IT risk management guidelines were formulated to analyze risk factors, process score results and rank risk priorities in a constructive manner. Modernform plans to review the IT risk at least once a year to update the risk factors so that it can effectively respond to corporate strategies and fulfill its IT goals.

- 4.4 In 2019, the scopes of work of the IT services and a service level agreement of both associated and subsidiaries company were made in writing where service fees were set as if they were transactions with the third party according to the Stock Exchange of Thailand's guidelines and the Notification of the Office of the Securities and Exchange Commission.

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.

The Internal Audit Department continued to conduct the quarterly monitoring so that those who were audited could materially resolve their problems. The quarterly-based auditing and monitoring report was developed so that information with material implications from the report could be accessed and reported to head of BU/SU for timely resolution.

Related Transactions

In 2019 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 which was in the normal course of business and fair and at arms' length 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 19	31 Dec 18	
MHC	MODERN holds 95% of the paid up capital of MHC and common directors, Mr.Thaksa Busayapoka, Mr.Yothin Nerngchamrong and Mr.Kitipat Nerngchamrong	Sales of goods	1.2	4.5	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.
IHL	MODERN holds 4.85% of the paid up capital of IHL with Ms.Chutima Busayapoka sister of Mr.Thaksa Busayapoka acting as director of IHL and holds 21.03% of the paid up capital of IHL	Purchase of goods Trade accounts payable Sales of goods	12.7 4.2 0.2	10.4 1.3 0.3	MODERN bought tamed 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 49.50% 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	16.0 6.7 11.6 0.1	15.6 3.2 10.5 7.6	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.
WSC	MODERN holds 40% of paid up capital of WSC and common directors Mr.Kitipat Nerngchamrong	Sales of goods Purchase of goods Trade accounts payable Trade accounts receivable	0.8 13.4 12.6 0.4	- - - -	MODERN and WSC recorded inter-related transactions due to their business relevant to furniture. The prices were reasonable with MODERN's clear pricing policy as mentioned above.

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

Related Person / Entity	Relation	Type of Transaction	Amount (million Baht)		Audit Committee Comments
			31 Dec 19	31 Dec 18	
MTC	MODERN holds 100% of the paid up capital of MTC and common directors Mr.Thaksa Busayapoka, Mr.Yothin Nerngchamnon and Mr.Somsak Varikarn	Rent and service expenses Deposit (rent and services) Other trade accounts payable Service Fee	70.2 17.2 0.9 -	70.5 17.2 1.0 0.1	MODERN rented MTC's building space at appropriate rental fee and service fee, close to those MTC charged for general customers. Financial consultancy services
RFA	MODERN holds 75% of the paid up capital of RFA and common directors Mr.Thaksa Busayapoka with Ms.Sutheera Busayapoka daughter of Mr.Thaksa Busayapoka acting as director of RFA and holds 1% of the registered and of RFA	Service Fee	0.3	0.3	Financial consultancy services
MHC	MODERN holds 95% of the paid up capital of MHC and common directors, Mr.Thaksa Busayapoka, Mr.Yothin Nerngchamnon and Mr.Kitipat Nerngchamnon	Service Fee	2.8	3.4	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
IMC	MODERN holds 49.50% of the paid up capital of IMC and common directors Mr.Thaksa Busayapoka and Mr.Palana Usanachitt	Service Fee	4.5	6.3	Financial consultancy services

3. Acquisition and Liquidation of Assets (Stocks).

Related Person / Entity	Relation	Type of Transaction	Amount (million Baht)		Audit Committee Comments
			31 Dec 19	31 Dec 18	
WSC	MODERN holds 40% of paid up capital of WSC and common directors Mr.Kitipat Nerngchamnon	Investment in Workscape Co.,Ltd.	24	-	On February 5, 2019, the Board of Directors' Meeting passed a resolution to invest in Workscape Co.,Ltd. holds 40% of paid up capital 60 million baht with 600,000 ordinary shares at par value 100 baht per share which amounts Baht 24 million.

4. Financial Assistance

Related Person / Entity	Relation	Type of Transaction	Amount (million Baht)		Audit Committee Comments
			31 Dec 19	31 Dec 18	
MTC	MODERN holds 100% of the paid up capital of MTC and common directors Mr.Thaksa Busayapoka, Mr.Yothin Nengchamnong and Mr.Somsak Varikarn.	Interest Income	-	0.1	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.

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
IHL	=	Interhides Public Company Limited	Produce and sale leather
IMC	=	Itoki Modernform Company Limited	Import and Export Office furniture
WSC	=	Workscape Company Limited	Manufacturing and distributing 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 addition, 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 2019. 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. 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)

		2019	2018	2017
LIQUIDITY RATIO				
Current ratio	(Times)	2.6	2.4	2.4
Quick ratio	(Times)	1.1	1.0	0.9
Cash from operating ratio	(Times)	0.4	0.02	0.3
Receivable turnover ratio	(Times)	4.8	5.3	5.7
Collection days	(Days)	74	68	63
Inventory turnover	(Times)	2.1	2.3	2.1
Average number of days sales	(Days)	174	159	173
Account payable turnover	(Times)	7.6	8.5	8.2
Payment days	(Days)	48	42	44
Cash Cycle	(Days)	200	185	192
PROFITABILITY RATIO				
Gross profit margin	(%)	31.9	30.0	31.5
Net profit margin	(%)	5.9	3.1	5.1
Return on total income	(%)	5.6	3.0	4.8
Return on equity	(%)	7.5	4.0	5.9
EFFICIENCY RATIO				
Return on total assets	(%)	5.1	2.8	4.2
Return on fixed assets	(%)	53.4	35.5	42.6
Assets turnover	(Times)	0.9	0.9	0.9
FINANCIAL POLICY RATIO				
Debt to Equity ratio	(Times)	0.5	0.5	0.4
Interest payment ratio	(Times)	158.5	39.8	539.6
Dividend Payment	(%)	81.0	166.7	166.7

Remark : In 2019 and 2018, the calculation of gross profit margin and net profit margin will not calculate other service income included in service income such as consulting fee and internal audit fee, amount 8,156,292 and 10,310,625 baht respectively.

Financial Ratios (Consolidation)

		2019	2018	2017
LIQUIDITY RATIO				
Current ratio	(Times)	2.3	2.1	2.2
Quick ratio	(Times)	1.0	1.0	0.9
Cash from operating ratio	(Times)	0.5	0.01	0.2
Receivable turnover ratio	(Times)	4.2	4.5	5.0
Collection days	(Days)	86	81	72
Inventory turnover	(Times)	1.7	1.9	1.8
Average number of days sales	(Days)	211	193	200
Account payable turnover	(Times)	7.0	7.3	7.3
Payment days	(Days)	51	49	49
Cash Cycle	(Days)	246	225	223
PROFITABILITY RATIO				
Gross profit margin	(%)	32.5	30.1	33.4
Operating profit	(%)	4.2	3.9	5.1
Quality of earnings	(%)	402.8	7.4	165.2
Net profit margin	(%)	4.1	4.2	7.0
Return on total income	(%)	4.0	4.0	6.7
Return on equity	(%)	5.3	5.5	8.6
EFFICIENCY RATIO				
Return on total assets	(%)	3.4	3.6	5.7
Return on fixed assets	(%)	27.3	27.5	34.2
Assets turnover	(Times)	0.9	0.9	0.9
FINANCIAL POLICY RATIO				
Debt to Equity ratio	(Times)	0.6	0.6	0.5
Interest payment ratio	(Times)	68.3	11.4	107.0
Cash coverage	(Times)	2.4	0.03	0.9
Dividend Payment	(%)	100.0	111.1	103.4

Remark : In 2019 and 2018, the calculation of gross profit margin and net profit margin will not calculate other service income included in service income such as consulting fee and internal audit fee, amount 7,576,948 and 6,400,625 baht respectively.

Management Discussion & Analysis

of a one-year performance as of end December 31, 2019

Industry Overview

Economic Growth - still slow

Current economic situation is still slow and not favourable. Furniture industry is facing challenges of economic fluctuation and has to adjust its business strategy by more diversification. However, with the Government support by some fiscal measures, for example, lower interest rate and fee reduction in housing transfer and mortgage, might boost higher customers' spending.

Company in Overview

Continuously invest in new business

MODERN continues to explore new business segments for business expansion. Recently, MODERN has invested in Build D Co., Ltd. (BUD), to manufacture and distribute Fit-in Furniture and interior design to cover more contract business. BUD is scheduled to operate soon.

Financial Performance in 2019

Revenue decreased by 6.0 percent to Baht 3,101.5 million with gross profit margin of 32.5 percent, an increase of 2.4 percent

MODERN and subsidiaries recorded Baht 3,101.5 million from sales, rental, service (excluded other service), architectural design service and construction, representing 6.0 percent decrease of Baht 197.3 million from the same period in 2018. The gross profit margin was at 32.5 percent, increased of 2.4 percent from the same period in 2018.

Net profit equaled Baht 125.7 million, a decrease of 8.3 percent

In 2019, net profit of MODERN and subsidiaries amounted to Baht 125.7 million, a decrease of 8.3 percent from the same period in 2018. The main reason is from the extra Reserve for

additional long-term employee benefit expenses of Baht 46.8 million according to the Labor Protection Act (No.7). The law is effective from May 5, 2019 for employee who worked for 20 years or more entitled to receive compensation not less than 400 days at the latest wage rate, as a result the Company recognizes the decrease in profit.

In 2019, MODERN received shares of incomes from investment in associate and subsidiary companies total Baht 53.6 million, an increase of 13.4 percent from the same period in 2018.

Business units and subsidiaries performance

Office and residential furniture business

Sales decreased by 6.8 percent to Baht 2,186.5 million

In 2019, invoicing sales of office and residential furniture decreased by 6.8 percent from the same period in 2018 to Baht 2,186.5 million.

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

Sales decreased by 7.8 percent to Baht 514.3 million

In 2019, sales of furniture fittings, solid surface, carpet tile and LVT flooring decreased by 7.8 percent from the same period in 2018 to Baht 514.3 million.

Space rental and services business

Rental and service income at Baht 88.0 million, an increase of 4.4 percent

In 2019, the business generated Baht 88.0 million rental and service (excluded other service) incomes, or 4.4 percent increase compared to the same period in 2018.

Healthcare product and medical equipment business

Revenues of Baht 270.0 million, an increase of 0.1 percent

In 2019, the business recorded revenues of Baht 270.0 million from sales, architectural design service and construction, an increase of 0.1 percent from the same period in 2018.

Architectural design business

Revenues of Baht 42.7 million, an increase of 4.7 percent

In 2019, the architectural and landscape design business recorded revenue Baht 42.7 million or 4.7 percent increase from the same period in 2018.

Financial status of MODERN and subsidiaries

Cash, cash equivalents and short-term investments increased

As of December 31, 2019, MODERN and subsidiaries recorded Baht 489.6 million for cash, cash equivalents and short-term investments, increased by Baht 137.6 million. Consolidated shareholders' equity accounted for Baht 2,331.1 million, decreased by Baht 59.1 million from the end of 2018.

Baht 193.9 million of financial institution debts

MODERN and subsidiaries registered Baht 193.9 million of financial institution debts, decreased by Baht 152.8 million, compared to Baht 346.7 million at the end of 2018. The Company still maintains good liquidity and high retained earnings.

Statement of Directors' Responsibility to Financial Statements

The Board of Directors of Modernform Group Public Company Limited is aware of its responsibility as director of a listed company in the Stock Exchange of Thailand to prepare separate financial statements and consolidated financial statements of its own and subsidiaries on the basis of the generally-accepted accounting principles upon appropriate accounting policy and practices, thorough discretion, reasonable estimates and adequate disclosure in notes to the financial statements for the benefit of shareholders and investors. The financial statements as of end of 2018 have been audited, certified and given an unconditional opinion by an independent certified public accountant.

The Board has appointed the Audit Committee consisting of three independent directors to supervise and review the quality of the company's financial statements, internal control and auditing and disclosure of information in connected

transactions. The Audit Committee's opinion is expressed in the Audit Committee's report to ensure that the information in the financial reports is prepared under the principles of good corporate governance

The Board of Directors is opinion that Modernform's internal control system is adequate and appropriate and reasonably underline the credibility and reliability of consolidated financial statements of the company itself and subsidiaries for the year that ended December 31, 2019 upon compliance with the generally-accepted accounting principles, relevant laws and regulations. Has passed the examination and gave unconditional opinion from the independent certified auditor of the company

(Mr. Thaksa Busayapoka)

Chairman and Chief Executive Director

(Mr. Kitipat Nerngchamnon)

President

Independent Auditor's Report

To the Shareholders of Modernform Group Public Company Limited

Opinion

I have audited the accompanying consolidated financial statements of Modernform Group Public Company Limited and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2019, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and have also audited the separate financial statements of Modernform Group Public Company Limited for the same period.

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 2019, their financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial statements of the current period. These matters

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

I have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report, including in relation to these matters. Accordingly, my audit included the performance of procedures designed to respond to my assessment of the risks of material misstatement of the financial statements. The results of my audit procedures, including the procedures performed to address the matters below, provide the basis for my audit opinion on the accompanying financial statements as a whole.

Key audit matters and how audit procedures respond to each matter are described below.

Revenue recognition from sales

The Group recognises revenue as mentioned as disclosed in the Note 5.1 to the consolidated financial statements. Since the Group has sales with a large number of customers and there are a variety of commercial terms. In addition, the economic slowdown has directly resulted in more intense competition in the furniture manufacturing industry. I have therefore considered the revenue recognition as key audit matter and focused on the audit of occurrence and the timing of revenue recognition.

I have examined the revenue recognition of the Group by

- Assessing and testing the Group's IT system and its internal controls with respect to the revenue cycle by making enquiry of responsible executives, gaining an understanding of the controls and selecting representative samples to test the operation of the designed controls.
- Applying a sampling method to select sales and service agreements to assess whether revenue recognition was consistent with the conditions of the relevant agreement, and whether it was in compliance with the Group's policy.
- On a sampling basis, examining supporting documents for actual sales transactions occurring during the year and near the end of the accounting period.

- Reviewing credit notes that the Group issued after the period-end.
- Performing analytical procedures on disaggregated data to detect possible irregularities in sales transactions throughout the period.

Allowance for diminution in value of inventories

Estimating the net realisable value of inventory, as disclosed in the Note 12 to the financial statement, is an area of significant management judgment, particularly with regard to the estimation of provision for obsolete inventory. This requires detailed analysis of the product life cycle, the competitive market environment. As a result, there is a risk that the provision set aside for diminution in the value of inventory will be inadequate amount, causing the Group shows overstate the value of inventory.

I assessed and tested the internal controls of the Group relevant to the determination of provision for diminution in the value of inventory by making enquiry of responsible executives, and gaining an understanding of the control. In addition, I also assessed the method and the assumptions applied by management in determining such provision. The procedures that I performed included:

- Gaining an understanding of the basis applied in determining the provision for diminution in value of inventory and reviewing the consistency of the application of that basis, and the rationale for the recording of specific provisions.
- Comparing the inventory holding periods and inventory movement to identify product lines with indicators of lower than normal inventory turnover.
- Comparing the net income from sales occurring after the date of the financial statements to the cost of inventory for each product line.

Other Information

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

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

I am responsible for the audit resulting in this independent auditor's report.



Rungrapa Lertsuwankul
Certified Public Accountant (Thailand) No.3516

EY Office Limited
Bangkok: 27 February 2020

Statement of financial position

Modernform Group Public Company Limited and its subsidiaries

As at 31 December 2019

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		As of 31 December 2019	As of 31 December 2018	As of 31 December 2019	As of 31 December 2018
Assets					
Current assets					
Cash and cash equivalents	8	459,272,695	296,995,688	345,681,833	190,222,626
Current investments	9	30,288,240	54,951,375	30,288,240	54,951,375
Contract assets	10	122,984,604	109,559,745	90,450,740	81,459,171
Trade and other receivables	7, 11	579,903,243	788,916,440	519,142,621	605,000,202
Inventories	12	1,243,884,215	1,247,753,021	1,007,233,149	995,179,310
Other current assets					
Prepaid expenses		17,278,536	20,735,143	15,442,602	17,125,923
Others		16,409,563	11,291,785	8,397,295	3,398,902
Total other current assets		33,688,099	32,026,928	23,839,897	20,524,825
Total current assets		2,470,021,096	2,530,203,197	2,016,636,480	1,947,337,509
Non-current assets					
Investments in available-for-sale securities	13	128,991,666	213,078,116	111,676,416	195,486,866
Investments in associates	14	31,837,524	45,643,706	31,399,815	7,399,815
Investments in subsidiaries	15	-	-	403,849,004	403,849,004
Investment in joint venture	16	44,837,621	-	-	-
Other long-term investments	17	85,675,040	41,675,040	85,675,040	41,675,040
Investment properties	18	148,577,633	166,111,650	1,083,748	1,083,748
Property, plant and equipment	19	634,949,219	709,535,869	389,365,600	450,900,535
Intangible assets	20	15,886,167	12,524,390	15,711,525	12,438,512
Deferred tax assets	29	46,252,838	53,516,542	35,841,418	43,671,902
Other non-current assets	7, 21	10,639,401	11,833,978	26,632,136	27,744,971
Total non-current assets		1,147,647,109	1,253,919,291	1,101,234,702	1,184,250,393
Total assets		3,617,668,205	3,784,122,488	3,117,871,182	3,131,587,902

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 2019

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		As of 31 December 2019	As of 31 December 2018	As of 31 December 2019	As of 31 December 2018
Liabilities and shareholders' equity					
Current liabilities					
Bank overdrafts and short-term loans from financial institutions	22	193,866,783	346,703,353	535,463	88,030,433
Trade and other payables	6, 23	357,289,758	402,146,142	311,081,918	299,064,874
Unbilled payables		23,361,917	22,910,647	-	-
Contract liabilities	10	427,761,255	387,956,421	426,917,591	386,931,434
Income tax payable		36,681,823	31,610,243	29,470,449	25,580,045
Other current liabilities		21,750,122	23,514,300	14,984,506	18,598,218
Total current liabilities		1,060,711,658	1,214,841,106	782,989,927	818,205,004
Non-current liabilities					
Provision for long-term employee benefits	24	225,813,438	179,021,397	206,087,722	165,598,262
Total non-current liabilities		225,813,438	179,021,397	206,087,722	165,598,262
Total liabilities		1,286,525,096	1,393,862,503	989,077,649	983,803,266
Shareholders' equity					
Share capital					
Registered					
809,646,280 ordinary shares of Baht 1 each		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
Share premium		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
Other surplus	27	8,026,634	8,026,634	16,675,836	16,675,836
Retained earnings					
Appropriated					
Statutory reserve - the Company	25	90,000,000	90,000,000	90,000,000	90,000,000
- the subsidiaries	25	26,074,000	26,074,000	-	-
Unappropriated		647,690,296	616,608,890	476,083,888	410,106,627
Other components of shareholders' equity		(82,050,331)	1,981,650	(83,488,955)	1,479,409
Equity attributable to the owners of the Company		2,319,263,363	2,372,213,938	2,128,793,533	2,147,784,636
Non-controlling interests of the subsidiaries		11,879,746	18,046,047	-	-
Total shareholders' equity		2,331,143,109	2,390,259,985	2,128,793,533	2,147,784,636
Total liabilities and shareholders' equity		3,617,668,205	3,784,122,488	3,117,871,182	3,131,587,902

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 2019

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2019	2018	2019	2018
Revenues					
Sales	7, 26	2,888,385,012	3,068,760,215	2,703,423,358	2,908,409,869
Other income					
Rental income		37,837,265	36,860,274	315,000	1,290,000
Architectural design service income and construction income	26	125,140,711	145,839,068	-	-
Service income	26	57,713,871	53,774,023	8,156,292	10,310,625
Dividend received	7	15,200,263	17,225,883	102,148,445	16,194,000
Gain on sales of investments		1,181,138	1,701,048	-	1,696,899
Others	7	55,793,630	65,812,062	49,593,027	58,109,906
		292,866,878	321,212,358	160,212,764	87,601,430
Total revenues		3,181,251,890	3,389,972,573	2,863,636,122	2,996,011,299
Expenses					
Cost of sales	7	1,970,769,559	2,163,242,587	1,840,762,800	2,037,033,840
Cost of rental and services		27,901,109	29,456,948	132,634	998,048
Cost of design services and construction		95,492,659	113,066,563	-	-
Selling and distribution expenses	7	486,902,729	500,155,731	538,910,504	550,724,130
Administrative expenses	7	368,947,630	323,184,160	259,272,244	220,335,230
Other expenses		22,069,067	40,332,169	16,892,267	34,311,570
Total expenses		2,972,082,753	3,169,438,158	2,655,970,449	2,843,402,818
Profit before share of profit (loss) from investments					
in associates and joint venture, financial cost and income tax expenses		209,169,137	220,534,415	207,665,673	152,608,481
Share of profit (loss) from investments in associates	14.2	341,735	(3,258,385)	-	-
Share of loss from investment in joint venture	16.2	(12,159,851)	-	-	-
Profit before finance cost and income tax expenses		197,351,021	217,276,030	207,665,673	152,608,481
Finance cost		(12,839,702)	(11,464,270)	(5,773,573)	(5,493,923)
Profit before income tax expenses		184,511,319	205,811,760	201,892,100	147,114,558
Income tax expenses	29	(61,625,976)	(71,168,197)	(41,735,809)	(57,269,503)
Profit for the year		122,885,343	134,643,563	160,156,291	89,845,055
Profit attributable to:					
Equity holders of the Company		125,713,859	137,155,719	160,156,291	89,845,055
Non-controlling interests of the subsidiaries		(2,828,516)	(2,512,156)		
		122,885,343	134,643,563		
Earnings per share	30				
Basic earnings per share					
Profit attributable to equity holders of the Company		0.17	0.18	0.21	0.12
Weighted average number of ordinary shares (thousand shares)		750,000,000	750,000,000	750,000,000	750,000,000

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 2019

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2019	2018	2019	2018
Profit for the year		122,885,343	134,643,563	160,156,291	89,845,055
Other comprehensive income:					
Other comprehensive income to be reclassified to profit or loss in subsequent periods					
Loss on change in value of investments in available-for-sale securities		(82,608,599)	(94,864,014)	(83,810,450)	(95,491,815)
Income tax effect	29	(1,423,382)	18,972,803	(1,157,914)	19,098,363
Net other comprehensive income to be reclassified to profit or loss in subsequent periods - net of income taxes		(84,031,981)	(75,891,211)	(84,968,364)	(76,393,452)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods					
Actuarial gain for post-employment benefits plan		14,644,533	-	15,210,961	-
Income tax effect	29	(5,110,518)	-	(5,223,803)	-
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods - net of income taxes		9,534,015	-	9,987,158	-
Other comprehensive loss for the year		(74,497,966)	(75,891,211)	(74,981,206)	(76,393,452)
Total comprehensive income for the year		48,387,377	58,752,352	85,175,085	13,451,603
Total comprehensive income attributable to:					
Equity holders of the Company		51,215,893	61,264,508	85,175,085	13,451,603
Non-controlling interests of the subsidiaries		(2,828,516)	(2,512,156)		
		48,387,377	58,752,352		

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 2019

(Unit: Baht)

	Note	Consolidated financial statements									
		Equity attributable to owners of the Company									
		Issued and paid-up share capital	Share premium	Other surplus	Retained earnings		Total other components of shareholders' equity	Total equity attributable to owners of the Company	Equity attributable to non-controlling interests of the subsidiaries	Total shareholders' equity	
					Appropriated	Unappropriated					
					Statutory reserve		Revaluation surplus (deficit) on changes in value of investments in available-for-sale				
Balance as at 1 January 2018		750,000,000	879,522,764	8,026,634	116,074,000	704,453,171	77,872,861	2,535,949,430	22,658,485	2,558,607,915	
Profit (loss) for the year		-	-	-	-	137,155,719	-	137,155,719	(2,512,156)	134,643,563	
Other comprehensive loss for the year		-	-	-	-	-	(75,891,211)	(75,891,211)	-	(75,891,211)	
Total comprehensive income (loss) for the year		-	-	-	-	137,155,719	(75,891,211)	61,264,508	(2,512,156)	58,752,352	
Dividend paid	33	-	-	-	-	(225,000,000)	-	(225,000,000)	-	(225,000,000)	
Subsidiary paid dividend to non-controlling interests of subsidiary		-	-	-	-	-	-	-	(2,100,282)	(2,100,282)	
Balance as at 31 December 2018		750,000,000	879,522,764	8,026,634	116,074,000	616,608,890	1,981,650	2,372,213,938	18,046,047	2,390,259,985	
Balance as at 1 January 2019		750,000,000	879,522,764	8,026,634	116,074,000	616,608,890	1,981,650	2,372,213,938	18,046,047	2,390,259,985	
Cumulative effects of changes in accounting policies due to the adoption of new financial reporting standards	4	-	-	-	-	8,333,812	-	8,333,812	-	8,333,812	
Profit (loss) for the year		-	-	-	-	125,713,859	-	125,713,859	(2,828,516)	122,885,343	
Other comprehensive income (loss) for the year		-	-	-	-	9,534,015	(84,031,981)	(74,497,966)	-	(74,497,966)	
Total comprehensive income (loss) for the year		-	-	-	-	135,247,874	(84,031,981)	51,215,893	(2,828,516)	48,387,377	
Capital return to non-controlling interests of subsidiary		-	-	-	-	-	-	-	(3,337,785)	(3,337,785)	
Dividend paid	33	-	-	-	-	(112,500,280)	-	(112,500,280)	-	(112,500,280)	
Balance as at 31 December 2019		750,000,000	879,522,764	8,026,634	116,074,000	647,690,296	(82,050,331)	2,319,263,363	11,879,746	2,331,143,109	

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 2019

(Unit: Baht)

	Note	Separate financial statements									
		Issued and paid-up share capital	Share premium	Other surplus	Retained earnings		Unappropriated reserve	Investments in available-for-sale	Other components of shareholders' equity		
					Appropriated	Statutory reserve			Total other components of shareholders' equity	Revaluation surplus (deficit) on changes in value of investments in available-for-sale	Total other components of shareholders' equity
Balance as at 1 January 2018		750,000,000	879,522,764	16,675,836	90,000,000	545,261,572	77,872,861	77,872,861	2,359,333,033		
Profit for the year		-	-	-	-	89,845,055	-	-	89,845,055		
Other comprehensive loss for the year		-	-	-	-	-	(76,393,452)	(76,393,452)	(76,393,452)		
Total comprehensive income (loss) for the year		-	-	-	-	89,845,055	(76,393,452)	(76,393,452)	13,451,603		
Dividend paid	33	-	-	-	-	(225,000,000)	-	-	(225,000,000)		
Balance as at 31 December 2018		750,000,000	879,522,764	16,675,836	90,000,000	410,106,627	1,479,409	1,479,409	2,147,784,636		
Balance as at 1 January 2019		750,000,000	879,522,764	16,675,836	90,000,000	410,106,627	1,479,409	1,479,409	2,147,784,636		
Cumulative effects of changes in accounting policies due to the adoption of new financial reporting standards	4	-	-	-	-	8,333,812	-	-	8,333,812		
Profit for the year		-	-	-	-	160,156,291	-	-	160,156,291		
Other comprehensive income (loss) for the year		-	-	-	-	9,987,158	(84,968,364)	(84,968,364)	(74,981,206)		
Total comprehensive income (loss) for the year		-	-	-	-	170,143,449	(84,968,364)	(84,968,364)	85,175,085		
Dividend paid	33	-	-	-	-	(112,500,000)	-	-	(112,500,000)		
Balance as at 31 December 2019		750,000,000	879,522,764	16,675,836	90,000,000	476,083,888	(83,488,955)	(83,488,955)	2,128,793,533		

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 2019

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
Cash flows from operating activities				
Profit before income tax	184,511,319	205,811,760	201,892,100	147,114,558
Adjustments to reconcile profit before tax to net cash provided by (paid from) operating activities:				
Depreciation and amortisation	104,968,490	112,107,721	72,208,946	79,688,699
Written-off equipment and intangible assets	1,282,158	599,388	1,275,044	61,103
Allowance for doubtful accounts	6,128,463	3,243,700	274,596	2,588,900
Bad debt recovery	(13,468,042)	(2,981,312)	(12,514,225)	(2,981,312)
Allowance of diminution in value of inventories	34,094,250	40,234,565	32,022,875	25,682,340
Allowance for impairment of unbilled receivables	1,024,500	(262,500)	-	-
Allowance for impairment of investment in associate	-	-	-	102,185
Share of loss (profit) from investments in associates	(341,735)	3,258,385	-	-
Share of loss from investment in joint venture	12,159,851	-	-	-
Change of investment in joint venture	1,150,445	-	-	-
Gain on sales of property, plant and equipment	(923,100)	(1,895,280)	(823,856)	(1,466,715)
Loss on revaluation of current investments	31,437,936	1,574,093	31,437,936	1,864,277
Gain on sales of current investments	-	(1,563,894)	-	(1,563,894)
Gain on reclassification of investments	-	(17,733,791)	-	(17,733,791)
Gain on sales of investments in available-for-sale securities	(1,181,138)	(137,170)	-	(133,020)
Provision for long-term employee benefits	71,761,369	21,211,366	66,025,216	20,170,621
Dividend received	(15,200,263)	(17,225,883)	(102,148,445)	(16,194,000)
Interest income	(3,715,313)	(3,716,955)	(2,965,004)	(3,374,119)
Interest expenses	8,606,996	6,453,940	2,403,552	1,379,116
Profit from operating activities before changes in operating assets and liabilities	422,296,186	348,978,133	289,088,735	235,204,948
(Increase) decrease in operating assets				
Trade and other receivables	210,402,166	(228,064,371)	98,097,210	(130,020,238)
Inventories	(30,225,444)	91,047,919	(44,076,714)	90,526,001
Retention	(8,498,749)	(6,587,343)	(8,991,569)	(8,970,747)
Other current assets	8,756,094	552,537	7,102,193	(1,225,534)
Other non-current assets	1,194,576	5,219,562	1,112,835	(3,280,442)
Increase (decrease) in operating liabilities				
Trade and other payables	(43,860,205)	(21,088,846)	12,690,552	(11,226,877)
Other current liabilities	38,040,656	(105,049,971)	36,372,445	(104,829,273)
Provision for long-term employee benefits	(10,324,795)	(11,253,504)	(10,324,795)	(11,253,504)
Cash flows from operating activities	587,780,485	73,754,116	381,070,892	54,924,334
Cash paid for interest expenses	(8,606,996)	(6,453,940)	(2,403,552)	(1,379,116)
Cash paid for corporate income tax	(60,168,753)	(57,754,632)	(38,480,268)	(38,923,149)
Tax refund	2,260,532	-	-	-
Net cash flows from operating activities	521,265,268	9,545,544	340,187,072	14,622,069

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 2019

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
Cash flows from investing activities:				
Purchase of current investments	(6,774,624)	(14,033,690)	(6,774,624)	(11,994,794)
Purchase of investments in available-for-sale securities	(6,154,183)	(20,544,891)	-	(18,663,943)
Share subscription in associates	(24,000,000)	-	(24,000,000)	-
Share subscription in joint venture	(20,000,000)	-	-	-
Cash repayment from capital return to non-controlling interests of subsidiary	(3,337,785)	-	-	-
Cash paid for purchase of other long-term investments	(44,000,000)	(41,675,040)	(44,000,000)	(41,675,040)
Cash receipt from share capital reduction of investments in available-for-sale securities	107,650	57,580	-	-
Cash receipt from sales of current investments	-	14,229,407	-	14,229,407
Cash receipt from sales of investments in available-for-sale securities	8,705,522	2,315,271	-	329,122
Dividend received from investments in available-for-sale securities and current investments	15,200,263	17,225,883	14,148,725	16,194,000
Dividend received from investment in subsidiary	-	-	87,999,720	-
Cash receipt from repayment of long-term loan to related party	-	-	-	18,000,000
Cash payment for purchase of property, plant equipment	(12,839,995)	(72,202,175)	(10,834,464)	(46,832,067)
Cash payment for purchase of computer software	(5,462,910)	(5,555,793)	(5,322,860)	(5,555,793)
Cash receipt from disposal of property, plant and equipment	1,189,338	2,382,614	1,085,604	1,586,970
Interest income	3,715,313	3,716,955	2,965,004	3,496,664
Net cash flows from (used in) investing activities	(93,651,411)	(114,083,879)	15,267,105	(70,885,474)
Cash flows from financing activities				
Increase (decrease) in bank overdrafts and short-term loans from financial institutions	(152,836,570)	179,306,544	(87,494,970)	87,903,647
Subsidiary paid dividend to non-controlling interests of subsidiary	-	(2,100,282)	-	-
Dividend paid	(112,500,280)	(225,000,000)	(112,500,000)	(225,000,000)
Net cash flows used in financing activities	(265,336,850)	(47,793,738)	(199,994,970)	(137,096,353)
Net increase (decrease) in cash and cash equivalents	162,277,007	(152,332,073)	155,459,207	(193,359,758)
Cash and cash equivalents at beginning of year	296,995,688	449,327,761	190,222,626	383,582,384
Cash and cash equivalents at end of year (Note 8)	459,272,695	296,995,688	345,681,833	190,222,626
Supplement cash flows information				
Non-cash items consist of:				
Increase (decrease) in payables from purchase of assets	(544,909)	398,210	(673,508)	628,253
Unrealised loss on change in the value of investment - net of income tax	(84,031,981)	(75,891,211)	(84,968,364)	(76,393,452)
Actuarial gain for post-employment benefits plan - net of income tax	9,534,015	-	9,987,158	-
Transfer property, plant and equipment to investment property	-	12,486,084	-	-
Transfer current investments to investments in available-for-sale securities	-	17,064,500	-	-
Transfer investments in available-for-sale securities to current investments	-	39,752,209	-	39,752,209

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 2019

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 residential and office furniture and its registered address is 699 Srinakarindr Road, Phatthanakan, Suan Luang, Bangkok. The Company has a total of 13 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 11 October 2016, 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	
			2019 %	2018 %

Held by the Company

Modernform Tower Company Limited	Rental office space	Thailand	100	100
Modernform Health & Care Public Company Limited	Distribution of health & care products and construction	Thailand	95	95
Rafa Associates Company Limited	Landscape and interior design services	Thailand	75	75

Company's name	Nature of business	Country of incorporation	Percentage of shareholding	
			2019 %	2018 %

Held by Modernform Health & Care Public Company Limited

Absolute Hygienics Company Limited	Distribution of health & care products, tools and equipment	Thailand	-	67
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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 Group 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, joint venture and associates under the cost method.

3. New financial reporting standards

(a) Financial reporting standards that became effective in the current period

During the year, the Group has adopted the revised (revised 2018) and new financial reporting standards and interpretations which are effective for fiscal years beginning on or after 1 January 2019. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards clarifying accounting treatment and providing accounting guidance for users of the standards. The adoption of these financial reporting standards does not have any significant impact on the Company's and its subsidiaries' financial statements. However, the new standard involves changes to key principles, which are summarised below.

TFRS 15 Revenue from Contracts with Customers

TFRS 15 supersedes the following accounting standards together with related interpretations.

TAS 11 (revised 2017)	Construction Contracts
TAS 18 (revised 2017)	Revenue
TSIC 31 (revised 2017)	Revenue - Barter Transactions Involving Advertising Services
TFRIC 13 (revised 2017)	Customer Loyalty Programmes
TFRIC 15 (revised 2017)	Agreements for the Construction of Real Estate
TFRIC 18 (revised 2017)	Transfers of Assets from Customers

Entities are to apply this standard to all contracts with customers unless those contracts fall within the scope of other standards. The standard establishes a five-step model to account for revenue arising from contracts with customers, with revenue being recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model.

The Group adopted TFRS 15 using the modified retrospective method of adoption of which the cumulative effect is recognised as an adjustment to the retained earnings as at 1 January 2019, and the comparative information was not restated. The Group elects to apply the following practical expedients.

- Not restate completed contracts as at 1 January 2019 for which the entity has transferred all of the goods or services identified in accordance with the previous accounting policy.

The cumulative effect of the change is described in Note 4.

The reclassifications of the prior year's financial statements as a result of the adoption of TFRS 15, the Company and its subsidiaries have reclassified certain accounts as follows:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	As reclassified	As previously reported	As reclassified	As previously reported
Contract assets	109,560	-	81,459	-
Unbilled receivables	-	26,907	-	-
Retention	-	82,653	-	81,459
Contract liabilities	387,956	-	386,931	-
Trade and other payables	402,146	382,284	299,065	299,065
Customer deposits	-	407,818	-	386,931

(b) Financial reporting standards that will become effective for fiscal years beginning on or after 1 January 2020

The Federation of Accounting Professions issued a number of new and revised financial reporting standards and interpretations, which are effective for fiscal years beginning on or after 1 January 2020. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards clarifying accounting treatment and providing accounting guidance for users of the standards except the following new standards which involve changes to key principles, which are summarised below.

Financial reporting standards related to financial instruments

A set of TFRSs related to financial instruments consists of five accounting standards and interpretations, as follows:

Financial reporting standards:

TFRS 7 Financial Instruments: Disclosures

TFRS 9 Financial Instruments

Accounting standard:

TAS 32 Financial Instruments: Presentation

Financial Reporting Standard Interpretations:

TFRIC 16 Hedges of a Net Investment in a Foreign Operation

TFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

These TFRSs related to financial instruments make stipulations relating to the classification of financial instruments and their measurement at fair value or amortised cost (taking into account the type of instrument, the characteristics of the contractual cash flows and the Company's business model), calculation of impairment using the expected credit loss method, and hedge accounting. These include stipulations regarding the presentation and disclosure of financial instruments. When the TFRSs related to financial instruments are effective, some accounting standards, interpretations and guidance which are currently effective will be cancelled.

The management of the Group expects the adoption of these accounting standards to result in the following adjustments.

- Classification and measurement of investments in equity instruments of non-listed companies - The Group is to measure investments in equity instruments of non-listed companies at fair value and to classify the investments as financial assets at fair value, through either profit or loss or through other comprehensive income. If the Group elects to present subsequent changes in the fair value of the investment through other comprehensive income, the election is irrevocable.

- Recognition of credit losses - The Group is to recognise an allowance for expected credit losses on its financial assets, and it is no longer necessary for a credit-impaired event to have occurred. The Group applies the simplified approach to consider impairment of trade receivables.

The management of the Group is currently evaluating the impact of these standards on the financial statements in the year when they are adopted.

TFRS 16 Leases

TFRS 16 supersedes TAS 17 Leases together with related Interpretations. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases, and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is low value.

Accounting by lessors under TFRS 16 is substantially unchanged from TAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles to those used under TAS 17.

The Group plans to adopt TFRS 16 using the modified retrospective method of adoption of which the cumulative effect is recognised as an adjustment to the retained earnings as at 1 January 2020, and the comparative information was not restated.

The management of the Group expects the effect of the adoption of this accounting standard to the statement of financial position as at 1 January 2020 to be to increase the Group's assets by approximately Baht 66.4 million (the Company only: approximately Baht 205.6 million) and the Group's liabilities by approximately Baht 66.4 million (the Company only: approximately Baht 205.6 million).

4. Cumulative effects of changes in accounting policies due to the adoption of new financial reporting standard

As described in Note 3 to the financial statements, during the current year, the Group has adopted TFRS 15 using the modified retrospective method of adoption. The cumulative effect of initially applying TFRS 15 is recognised as an adjustment to retained earnings as at 1 January 2019. Therefore, the comparative information was not restated.

The effect of the changes in accounting policies due to the adoption of TFRS 15 on the beginning balance of retained earnings for 2019 comprises:

(Unit: Thousand Baht)

	Consolidated financial statements	Separate financial statements
Impact on retained earnings as at 1 January 2019		
Costs to obtain contracts with customers	10,417	10,417
Related tax expenses	(2,083)	(2,083)
Total	8,334	8,334

The amounts of adjustments affecting the statements of financial position as at 31 December 2019, the statements of income and other comprehensive income for the year ended 31 December 2019 are summarised below.

(Unit: Thousand Baht)

	Consolidated financial statements		
	Previous accounting policy	Increase (decrease)	TFRS 15
Statements of financial position			
Assets			
Other current assets - others	9,166	7,244	16,410
Deferred tax assets	47,702	(1,449)	46,253
Total assets	3,611,873	5,795	3,617,668
Shareholders' equity			
Retained earnings - unappropriated	641,895	5,795	647,690
Total shareholders' equity	2,325,348	5,795	2,331,143
Total liabilities and shareholders' equity	3,611,873	5,795	3,617,668
Statements of income			
Selling and distribution expenses	483,730	3,173	486,903
Income tax expenses	62,260	(634)	61,626
Profit for the year	125,424	(2,539)	122,885
Attributable to:			
Profit attributable to equity holders of the Company	128,253	(2,539)	125,714
Earnings per share (Baht):			
Basic earnings per share	0.171	(0.003)	0.168

(Unit: Thousand Baht)

	Separate financial statements		
	Previous accounting policy	Increase (decrease)	TFRS 15
Statements of financial position			
Assets			
Other current assets - others	1,153	7,244	8,397
Deferred tax assets	37,290	(1,449)	35,841
Total assets	3,112,076	5,795	3,117,871
Shareholders' equity			
Retained earnings - unappropriated	470,289	5,795	476,084
Total shareholders' equity	2,122,999	5,795	2,128,794
Total liabilities and shareholders' equity	3,112,076	5,795	3,117,871
Statements of income			
Selling and distribution expenses	535,738	3,173	538,911
Income tax expenses	42,370	(634)	41,736
Profit for the year	162,695	(2,539)	160,156
Attributable to:			
Profit attributable to equity holders of the Company	162,695	(2,539)	160,156
Earnings per share (Baht):			
Basic earnings per share	0.217	(0.003)	0.214

The nature of these adjustments are described below:

- Commission paid to obtain a contract - The management of the Group has determined that commission paid to obtain a customer contract should be recorded as an asset and amortised to expenses on a systematic basis that is consistent with the pattern of revenue recognition. Under the previous accounting policy, the Group immediately recorded commission as selling expenses when the transaction occurred.

5. Significant accounting policies

5.1 Revenue recognition

Sales of goods

Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally upon delivery of the goods. Revenue is measured at the amount of the consideration received or receivable, excluding value added tax, of goods supplied after deducting returns, discounts, allowances and price promotions to customers.

Rendering of rental

Rental income is recognised on a straight-line basis over the lease term.

Rendering of services

Service revenue is recognised at a point in time upon completion of the service.

Rendering of architectural design services and construction

Service income from architectural design and construction contracts are recognised over time when services have been rendered taking into account the stage of completion, measuring based on information provided by the Company's and its subsidiaries' engineers or project managers.

The recognised revenue which is not yet due per the contracts has been presented under the caption of "Contract asset - Unbilled receivables" in the statement of financial position.

The obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer is presented under the caption of "Contract liability - Advances received from customers" in the statement of financial position.

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 Cost of construction services and expenses

In determining cost of construction services, the total anticipated construction costs are attributed to each construction projects by the Group (comparing to actual cost) and then recognised as cost of services in profit or loss on the basis of percentage of completion.

The recognised cost of construction which have not yet been due have been shown under the caption of "Unbilled payable" in the statements of financial position.

The actual cost of construction incurred but not yet recognised as cost of services in profit or loss has been regarded as "Construction in progress" in the statements of financial position.

Construction in progress includes the cost of raw material, direct labour and other expenses incurred for each project. Such construction in progress is valued at the lower of cost or net realisable value.

Expenses are recognised on an accrual basis.

5.3 Cash and cash equivalents

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

5.4 Balances of contracts with customers

Contract assets

The subsidiary recognises contract asset when cumulative revenue earned exceed the billings to date. Allowance for impairment loss is provided for the estimated losses that may be incurred in customer collection. Contract assets are transferred to receivables when the rights become unconditional, i.e. services are completed and delivered to the customer.

Contract liabilities

The Group recognises contract liability when the billings to date exceed the cumulative revenue earned and the Group has an obligation to transfer goods or services to a customer. Contract liabilities are recognised as revenue when the Group fulfil their performance obligations under the contracts.

5.5 Trade and other receivables

Trade and other receivables are stated at the net recognised 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.

5.6 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.

5.7 Cost to obtain a contract

The Group recognises a commission paid to obtain a customer contract as an asset and amortises it to expenses on a systematic basis that is consistent with the pattern of revenue recognition. An impairment loss is recognised to the extent that the carrying amount of an asset recognised exceeds the remaining amount of the consideration that the entity expects to receive less direct costs.

5.8 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 other comprehensive income, and will be recorded in profit or loss when the securities are sold.
- c) Investments in non-marketable equity securities, which the Company classifies as other investments, are stated at cost net of allowance for impairment loss (if any).
- d) Investments in joint venture and associates are accounted for in the consolidated financial statements using the equity method.
- e) Investments in subsidiaries and associates 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 Group 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 profit or loss.

5.9 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 profit or loss in the period when the asset is derecognised.

5.10 Property, plant and equipment / Depreciation

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

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

	<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 profit or loss when the asset is derecognised.

5.11 Intangible assets

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

5.12 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 associates, joint venture and individuals or enterprises 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.

5.13 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 net 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.

5.14 Foreign currencies

The consolidated and separate financial statements are presented in Baht, which is also the Company's functional currency. Items of each entity included in the consolidated financial statements are measured using the functional currency of that entity.

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.

5.15 Impairment of assets

At the end of each reporting period, the Group performs 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. 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 profit or loss.

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 Group estimates 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 profit or loss.

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

Defined benefit plans

The Group has obligations in respect of the severance payments it must make to employees upon retirement under labor law. The Group treats 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 defined benefit plans are recognised immediately in other comprehensive income.

Past service costs are recognized in profit or loss on the earlier of the date of the plan amendment or curtailment and the date that the Company recognizes restructuring-related costs.

5.17 Provisions

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

5.18 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 Group recognises 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 Group reviews and reduces 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 Group records deferred tax directly to shareholders' equity if the tax relates to items that are recorded directly to shareholders' equity.

5.19 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 Group applies 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 Group measures 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 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 Group determines 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.

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:

Revenue from contracts with customers

Identification of performance obligations

In identifying performance obligations, the management is required to use judgement regarding whether each promise to deliver goods or services is considered distinct, taking into consideration terms and conditions of the arrangement. In other words, if a good or service is separately identifiable from other promises in the contract and if the customer can benefit from it, it is accounted for separately.

Determination of timing of revenue recognition

In determining the timing of revenue recognition, the management is required to use judgement regarding whether performance obligations are satisfied over time or at a point in time, taking into consideration terms and conditions of the arrangement. The Group recognises revenue over time in the following circumstances:

- the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs
- the entity's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date

Where the above criteria are not met, revenue is recognised at a point in time. Where revenue is recognised at a point in time, the management is required to determine when the performance obligation under the contract is satisfied.

In calculating the revenue recognised over time, the management is required to use judgement regarding measuring progress towards complete satisfaction of a performance obligation, measuring based on information provided by the Group's engineers or project managers.

Determination of transaction price

In determining transaction price, the management is required to use judgement in estimating the variable consideration. The most likely amount method is used for those contracts with a single volume threshold, while the expected value method is used for contracts with more than one volume threshold. The Group includes any amount of variable consideration in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

Costs to obtain contracts

The recognition of costs incurred to obtain a contract as an asset requires management to use judgement regarding whether such costs are the incremental costs of obtaining a contract with a customer as well as what amortisation method should be used.

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 inventories

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.

Allowance for loss of construction project

The subsidiary recognises an allowance for loss of construction project in full upon the project incurs losses.

Impairment of equity investments

The Group treats available-for-sale investments and other 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 note to financial statement that are not actively traded and for which quoted market prices are not readily available, the management exercises 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 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 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.

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 Group to related person or related parties are as follows.

<u>Name of entities</u>	<u>Nature of relationships</u>
Modernform Health & Care Public Company Limited	Subsidiary, 95% shareholding
Modernform Tower Company Limited	Subsidiary, 100% shareholding
Rafa Associates Company Limited	Subsidiary, 75% shareholding
Rafa Plus Architec Company Limited	Subsidiary (Holding by subsidiary)
Rafa Design Office Company Limited	Subsidiary (Holding by subsidiary)
Absolute Hygienics Company Limited ⁽¹⁾	Subsidiary (Holding by subsidiary)
Itoki Modernform Company Limited	Associate
Workscape Company Limited	Associate
UICC Company Limited ⁽²⁾	Joint venture (Holding by subsidiary)
Interhides Public Company Limited	Shareholder and director is related to the Company's management
Related person	Director, executive officer and related person with director and executive officer

⁽¹⁾ Registered the dissolution with the Ministry of Commerce on 3 October 2018 and liquidation.

⁽²⁾ Being a joint venture on 5 April 2019.

During the years, the Group 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 and those related parties.

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements		Transfer pricing policy
	2019	2018	2019	2018	
Transactions with subsidiaries					
(Eliminated from the consolidated financial statements)					
Sales of goods	-	-	1.2	4.5	Close to market price
Services income	-	-	3.3	4.2	Contract price
Rental expenses and related service fees	-	-	70.2	70.5	Baht 325 to Baht 500 per square meter per month for showroom Baht 380 per square meter per month for office unit
Dividend received	-	-	88.0	-	As declared
Transactions with associates					
Sales of goods	17.4	10.8	12.4	10.5	Close to market price
Purchases of goods	29.4	15.6	29.4	15.6	Close to market price
Services income	5.5	8.3	4.5	6.4	Contract price
Rental income and related service fees	1.6	1.5	-	-	Close to market price
Purchase of investment in associate	24.0	-	24.0	-	Agreed price
Transactions with joint venture					
Sales of goods	3.2	-	-	-	Close to market price
Services income	2.1	-	-	-	Contract price
Purchase of investment in joint venture	20.0	-	-	-	Agreed price
Transactions with related company					
Sales of goods	0.2	-	0.2	-	Close to market price
Purchases of goods	12.7	10.4	12.7	10.4	Close to market price
Dividend received	12.5	14.1	12.5	14.1	As declared

As at 31 December 2019 and 2018, the balances of the accounts between the Company and those related parties are as follows:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
Trade accounts receivable (Note 11)				
Associates:				
Itoki Modernform Company Limited	119	7,581	119	7,581
UICC Company Limited	-	171	-	-
Workscape Company Limited	425	-	425	-
Joint venture:				
UICC Company Limited	218	-	-	-
Related company:				
Interhides Public Company Limited	39	17	39	17
Total	801	7,769	583	7,598
Other receivables (Note 11)				
Subsidiaries:				
Modernform Health & Care Public Company Limited	-	-	6	35
Modernform Tower Company Limited	-	-	6	28
Rafa Plus Architec Company Limited	-	-	-	21
Rafa Design Office Company Limited	-	-	-	56
Associates:				
Itoki Modernform Company Limited	19	40	1	21
UICC Company Limited	-	4	-	-
Workscape Company Limited	7	-	7	-
Joint venture:				
UICC Company Limited	4	-	4	-
Total	30	44	24	161
Other non-current assets - deposits (Note 21)				
Subsidiary:				
Modernform Tower Company Limited	-	-	17,170	17,170
Trade and other payables (Note 23)				
Subsidiaries:				
Modernform Health & Care Public Company Limited	-	-	3	-
Modernform Tower Company Limited	-	-	867	969
Associates:				
Itoki Modernform Company Limited	6,745	3,179	6,745	3,179
Workscape Company Limited	12,592	-	12,592	-
Related company:				
Interhides Public Company Limited	4,193	1,324	4,193	1,324
Total	23,530	4,503	24,400	5,472
Other current liabilities				
Associate:				
Itoki Modernform Company Limited	447	447	-	-

As at 31 December 2018, the credit facilities of Modernform Tower Company Limited and Modernform Health & Care Public Company Limited which can be drawn down from the Company amounting to Baht 250 and 10 million, respectively (2019: Nil).

Directors and management's remuneration

During the years ended 31 December 2019 and 2018, the Group had employee benefit expenses of their directors and management as below.

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
Short-term employee benefits	70	74	52	56
Post-employment benefits	7	5	4	4
Total	77	79	56	60

8. Cash and cash equivalents

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
Cash	643	670	574	595
Bank deposits	458,630	296,326	345,108	189,628
Total	459,273	296,996	345,682	190,223

As at 31 December 2018, bank deposits carried interests between 0.22% to 1.25% per annum (2018: between 0.13% to 1.20% per annum).

9. Current investments

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
Trading securities				
Cost	63,591	56,816	63,591	56,816
Loss on changes in value of investments	(33,303)	(1,865)	(33,303)	(1,865)
Total	30,288	54,951	30,288	54,951

During the year 2018, the Company sold current investments with book value totaling Baht 12.7 million (2019: Nil) and the Company reclassified available-for-sale securities to trading securities with book value of Baht 39.7 million. The Company recognised gain on sales and reclassification of investments amounting to Baht 15.4 million (after tax) in profit and loss (2019: Nil).

10. Contract assets/Contract liabilities

Contract balances

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
Contract assets				
Unbilled receivables	35,942	29,991	-	-
Retention receivables	91,152	82,653	90,451	81,459
Total contract assets	127,094	112,644	90,451	81,459
Less: Allowance for impairment loss	(4,109)	(3,084)	-	-
Total contract assets, net	122,985	109,560	90,451	81,459
Contract liabilities				
Advances received from customers	-	-	-	-
Customer deposits	(427,761)	(387,956)	(426,918)	(386,931)
Total contract liabilities	(427,761)	(387,956)	(426,918)	(386,931)

11. Trade and other receivables

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
Trade accounts receivable - related parties				
Age on the basis of due dates				
Not yet due and past due				
Up to 3 months	801	7,769	583	7,598
Total trade accounts receivable - related parties	801	7,769	583	7,598
Trade accounts receivable - unrelated parties				
Age on the basis of due dates				
Not yet due and past due				
Up to 3 months	421,050	622,233	379,342	482,774
Past due				
3 - 6 months	23,690	69,591	23,209	49,027
6 - 12 months	7,440	16,180	7,139	4,852
Over 12 months	112,071	94,230	88,616	72,980
Total	564,251	802,234	498,306	609,633
Less: Allowance for doubtful accounts	(68,516)	(75,856)	(51,676)	(63,916)
Total trade accounts receivable - unrelated parties, net	495,735	726,378	446,630	545,717
Other receivables				
Advances	77,592	51,448	71,544	50,795
Accrued income - related parties	18	20	1	-
Accrued income - unrelated parties	2,673	2,465	51	60
Other receivables - related parties	12	24	23	161
Other receivables - unrelated parties	3,072	812	311	669
Total	83,367	54,769	71,930	51,685
Trade and other receivables - net	579,903	788,916	519,143	605,000

12. Inventories

(Unit: Thousand Baht)

	Consolidated financial statements					
	Cost		Reduce cost to net realisable value		Inventory - net	
	2019	2018	2019	2018	2019	2018
Finished goods	1,106,970	1,089,248	(155,499)	(122,881)	951,471	966,367
Work in process	68,706	53,487	(4,942)	(6,138)	63,764	47,349
Raw materials	184,261	189,437	(55,534)	(52,862)	128,727	136,575
Goods for showroom	62,307	52,498	-	-	62,307	52,498
Goods in transit	32,720	40,755	-	-	32,720	40,755
Other supplies	4,895	4,209	-	-	4,895	4,209
Total	1,459,859	1,429,634	(215,975)	(181,881)	1,243,884	1,247,753

(Unit: Thousand Baht)

	Separate financial statements					
	Cost		Reduce cost to net realisable value		Inventory - net	
	2019	2018	2019	2018	2019	2018
Finished goods	850,304	822,545	(132,630)	(102,083)	717,674	720,462
Work in process	68,436	52,863	(4,942)	(6,138)	63,494	46,725
Raw materials	184,261	189,437	(55,534)	(52,862)	128,727	136,575
Goods for showroom	60,412	50,814	-	-	60,412	50,814
Goods in transit	32,031	36,600	-	-	32,031	36,600
Other supplies	4,895	4,003	-	-	4,895	4,003
Total	1,200,339	1,156,262	(193,106)	(161,083)	1,007,233	995,179

During the current year, the Group reduced cost of inventories by Baht 34 million (2018: Baht 40 million) (The Company only: Baht 32 million, 2018: Baht 26 million) to reflect the net realisable value. This was included in cost of sales.

13. Investments in available-for-sale securities

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
Cost	209,124	210,601	193,638	193,638
Gain (loss) on changes in value of investments	(80,132)	2,477	(81,962)	1,849
Total	128,992	213,078	111,676	195,487

During the year 2018, the Group sold available-for-sale securities with book value totaling Baht 2.2 million (2019: Nil) (The Company only: Baht 0.2 million, 2019: Nil) and the Company reclassified available-for-sale securities to trading securities with book value of Baht 39.7 million. The Company recognised gain on reclassification of investments amounting to Baht 14.3 million (after tax) in profit and loss (2019: Nil). This amount included loss transferred from gain (loss) on valuation of available-for-sale securities in other comprehensive income, loss amounting to Baht 1.2 million (after tax) (2019: Nil).

14. Investments in associates

14.1 Details of associates:

Company's name	Nature of business	Country of incorporation	Consolidated financial statements					
			Shareholding percentage		Cost		Carrying amounts based on equity method	
			2019	2018	2019	2018	2019	2018
			%	%	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht
Itoki Modernform Company Limited	Interior design and distribution of furniture	Thailand	49.5	49.5	14,850	14,850	7,653	7,496
UICC Company Limited	Health care business	Thailand	-	40.0	-	40,000	-	38,148
Workspace Company Limited	Manufacture and distribution of furniture	Thailand	40.0	-	24,000	-	24,185	-
Total					38,850	54,850	31,838	45,644

Company's name	Nature of business	Country of incorporation	Separate financial statements							
			Shareholding percentage		Cost		Allowance for impairment of investments		Carrying amounts based on cost method-net	
			2019	2018	2019	2018	2019	2018	2019	2018
			%	%	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht
Itoki Modernform Company Limited	Interior design and distribution of furniture	Thailand	49.5	49.5	14,850	14,850	(7,450)	(7,450)	7,400	7,400
Workspace Company Limited	Manufacture and distribution of furniture	Thailand	40.0	-	24,000	-	-	-	24,000	-
Total					38,850	14,850	(7,450)	(7,450)	31,400	7,400

On 5 February 2019, the Board of Directors meeting No.1/2019 of the Company passed a resolution approving an investment in Workspace Company Limited, a newly incorporated company engaged in the manufacturing and distribution of decorative products and office furniture. The Company has held 40% of registered and paid up capital, equivalent to Baht 60 million, comprising 0.6 million common shares of Baht 100 per share, totaling Baht 24 million.

A subsidiary had pledged investment in associate as at 31 December 2018 amounting to approximately Baht 40 million as collateral against credit facilities of an associate received from financial institutions (2019: Nil).

14.2 Share of profit (loss) from investments in associates

During the years, the Company has recognised its share of profit (loss) from investments in associates in the financial statements are as follows:

(Unit: Thousand Baht)

Company's name	Consolidated financial statements	
	Share of loss from investment in associate	
	As at 31 December	
	2019	2018
Itoki Modernform Company Limited	157	(1,964)
UICC Company Limited	-	(1,294)
Workspace Company Limited	185	-
Total	342	(3,258)

14.3 Summarised financial information of associates

Financial information of associates as included in the consolidated financial statements is summarised below:
Summarised information about financial position

(Unit: Million Baht)

	Itoki Modernform Company Limited		UICC Company Limited		Workscape Company Limited
	2019	2018	2019	2018	2019
Current assets	48	47	-	22	113
Non-current assets	2	2	-	164	27
Current liabilities	(30)	(33)	-	(22)	(74)
Non-current liabilities	(2)	(1)	-	(69)	(1)
Net assets	18	15	-	95	65
Shareholding percentage (%)	49.5	49.5	-	40.0	40.0
Share of net assets	9	7	-	38	26
Carrying amounts of associates based on equity method	9	7	-	38	26

Summarised information about income statement

(Unit: Million Baht)

	Itoki Modernform Company Limited		UICC Company Limited		Workscape Company Limited
	For the year ended	For the year ended	For the year ended	For the year ended	For the period as
	31 December 2019	31 December 2018	31 December 2019	31 December 2018	from 27 February 2019 to 31 December 2019
Revenue	127	105	-	-	161
Profit (loss)	3	(4)	-	(3)	4

15. 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 received	
	2019	2018	2019	2018	2019	2018	2019	2018
	Million Baht	Million Baht	%	%	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht
Modernform Tower Company Limited	220	220	100	100	219,899	219,899	88,000	-
Modernform Health & Care Public Company Limited	150	150	95	95	175,400	175,400	-	-
Rafa Associates Company Limited	15	15	75	75	8,550	8,550	-	-
Total					403,849	403,849	88,000	-

On 8 February 2019, the meeting of Modernform Tower Company Limited's Board of Directors No.1/2019 passed a resolution to pay an interim dividend to shareholders of Baht 40 per share, totaling Baht 88 million. The interim dividend was paid on 18 February 2019.

On 17 September 2018, the Extraordinary General Meeting of shareholders of Absolute Hygeinics Company Limited (a subsidiary of Modernform Health & Care Public Company Limited) passes a resolution approving the dissolution with the Ministry of Commerce on 3 October 2018. The liquidation was completed during 2019.

16. Investment in joint venture

16.1 Details of investment in joint venture:

Investment in joint venture represents investment in entity which is jointly controlled by the subsidiary of the Company and individual. Details as follows:

Joint venture	Nature of business	Country of incorporation	Consolidated financial statements					
			Shareholding percentage		Cost		Carrying amounts based on equity method	
			2019 %	2018 %	2019 Thousand Baht	2018 Thousand Baht	2019 Thousand Baht	2018 Thousand Baht
UICC Company Limited	Health care business	Thailand	40.0	-	60,000	-	44,838	-
Total					60,000	-	44,838	-

On 25 March 2019, the Annual General Meeting of Shareholders No.1/2019 of UICC Company Limited passed a resolution approving an increase in its issued and paid-up share capital totaling Baht 100 million, comprising 10 million ordinary shares of Baht 10 per share that effect to increase in its issued and paid-up share capital from Baht 100 million to Baht 200 million, comprising 20 million ordinary shares of Baht 10 per share. The Baht 50 million was paid-up, totaling paid-up Baht 150 million and registered the increase in its share capital with Ministry of Commerce on 5 April 2019. The controlling power of the shareholders of UICC Company Limited has changed due to the registration of the increase in share capital and the call for share payment of UICC Company Limited. The Group therefore classified the investment in UICC Company Limited as investment in joint venture.

A subsidiary has pledged investment in joint venture as at 31 December 2019 amounting to approximately Baht 60 million as collateral against credit facilities of a joint venture received from financial institutions (2018: Nil).

16.2 Share of loss from investment in joint venture

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

(Unit: Thousand Baht)

Joint venture	Consolidated financial statements	
	Share of loss from investment in joint venture	
	As at 31 December	
	2019	2018
UICC Company Limited	12,160	-
Total	12,160	-

16.3 Eliminated transaction

During the year, a subsidiary and joint venture have eliminated unrealised gain from sales of inventory of investment in joint venture in the financial statements as follows:

(Unit: Thousand Baht)

Joint venture	Consolidated financial statements	
	As at 31 December	
	2019	2018
UICC Company Limited	1,150	-
Total	1,150	-

16.4 Summarised financial information of investment in joint venture

Financial information of joint venture as included in the consolidated financial statements is summarised below:

Summarised information about financial position

(Unit: Million Baht)

	UICC Company Limited	
	2019	2018
Current assets	4	-
Non-current assets	388	-
Current liabilities	(47)	-
Non-current liabilities	(230)	-
Net assets	115	-
Shareholding percentage (%)	40.0	-
Share of net assets	46	-
Carrying amounts of joint venture based on equity method	46	-

Summarised information about income statement

(Unit: Million Baht)

	UICC Company Limited	
	For the year ended 31 December 2019	For the year ended 31 December 2018
Revenue	20	-
Loss	(30)	-

17. Other long-term investments

(Unit: Million Baht)

Company's name	Nature of business	Country of incorporation	Shareholding percentage		Consolidated and separate financial statements	
			2019	2018	Cost method	
			2019	2018	2019	2018
			(%)	(%)	Thousand Baht	Thousand Baht
Hedbot Co., Ltd.	Trading and robot software Publishing	Thailand	4.4	4.4	700	700
Finstreet Co., Ltd.	Organization of training, presentation, advertising, financial products and insurance	Thailand	9.0	9.0	1,375	1,375
Arkitektura Co., Ltd.	Retail sale of household furniture	Thailand	19.0	9.0	83,600	39,600
Total					85,675	41,675

On 10 August 2018, the Board of Directors' Meeting No.4/2018 of the Company resolved to invest in Arkitektura Company Limited which is a distributor and importer of home furniture, kitchen furniture, bathroom fittings and premium decorations. The purpose of the investment is to enhance the business opportunities for both companies. The Company purchase 19% of the registered capital of Arkitektura Company Limited from the existing shareholders totaling Baht 83.6 million. The Company paid share capital for 9% totaling Baht 39.6 million in 2018, and the remaining payment of 10% was paid in March 2019.

18. Investment properties

The net book value of investment properties as at 31 December 2019 and 2018 is presented below.

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	Land and land improvement	Office building and building improvement for rent	Total	Land
31 December 2019				
Cost	52,226	506,335	558,561	1,084
Less: Accumulated depreciation	(2,979)	(407,004)	(409,983)	-
Net book value	49,247	99,331	148,578	1,084

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	Land and land improvement	Office building and building improvement for rent	Total	Land
31 December 2018				
Cost	52,226	506,335	558,561	1,084
Less: Accumulated depreciation	(2,768)	(389,681)	(392,449)	-
Net book value	49,458	116,654	166,112	1,084

A reconciliation of the net book value of investment properties for the years 2019 and 2018 is presented below.

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
Net book value at beginning of year	166,112	170,723	1,084	1,084
Transfer in	-	12,487	-	-
Depreciation expenses	(17,534)	(17,098)	-	-
Net book value at end of year	148,578	166,112	1,084	1,084

The fair value of the investment properties as at 31 December 2019 and 2018 stated below:

(Unit: Thousand Baht)

	Consolidated financial statements	
	2019	2018
Land and office building and building improvement for rent	910,400	910,400

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.

The total investment properties thereon has a total net book value as at 31 December 2019 and 2018 of Baht 147 million and Baht 164 million, respectively. A subsidiary company has mortgaged such investment properties thereon with a bank with a mortgage value as at 31 December 2019 and 2018 of Baht 12 million to secure bank overdrafts and credit facilities granted to the Company and such subsidiary company.

(Unit: Thousand Baht)

	Separate financial statements	
	2019	2018
Land held for sales	675	675

The fair value determined by the independent professional appraiser using the market approach.

19. Property, plant and equipment

(Unit: Thousand Baht)

	Consolidated financial statements							
	Land and land improvement	Buildings	Building and leasehold improvement	Machinery	Furniture and equipment	Vehicles	Construction in progress	Others
Cost:								
1 January 2018	295,160	658,508	340,993	398,620	183,267	94,832	-	99,103
Additions	46	-	8,519	14,873	8,117	75	26,251	14,720
Transfer-in (transfer-out)	-	-	12,863	14,214	242	-	(26,061)	(13,745)
Disposals	-	-	(19,799)	(34,903)	(6,169)	(5,750)	-	(239)
Written-off	-	-	(1,316)	(349)	(177)	-	(30)	(41)
31 December 2018	295,206	658,508	341,260	392,455	185,280	89,157	160	99,798
Additions	-	-	642	2,102	5,228	726	9	3,588
Transfer-in (transfer-out)	-	-	904	12	(215)	-	(160)	(541)
Disposals	-	-	(1,931)	(11,734)	(1,666)	(3,182)	-	(1,667)
Written-off	-	-	(3,208)	(1,549)	(855)	-	-	(1,438)
31 December 2019	295,206	658,508	337,667	381,286	187,772	86,701	9	99,740
Accumulated depreciation:								
1 January 2018	27,825	442,610	242,572	296,598	152,294	84,868	-	80,517
Depreciation for the year	3,844	18,671	23,701	23,554	13,109	5,077	-	4,868
Depreciation for transfer-in (transfer-out)	-	-	(200)	1,305	-	-	-	(1,105)
Depreciation on disposals	-	-	(19,799)	(34,903)	(5,697)	(5,750)	-	(224)
Depreciation on written-off	-	-	(983)	(348)	(81)	-	-	(35)
31 December 2018	31,669	461,281	245,291	286,206	159,625	84,195	-	84,021
Depreciation for the year	3,845	18,663	23,068	21,921	10,894	2,490	-	4,453
Depreciation for transfer-in (transfer-out)	-	-	-	-	(215)	-	-	215
Depreciation on disposals	-	-	(1,809)	(11,734)	(1,572)	(3,182)	-	(1,617)
Depreciation on written-off	-	-	(2,641)	(962)	(831)	-	-	(1,334)
31 December 2019	35,514	479,944	263,909	295,431	167,901	83,503	-	85,738
Net book value:								
31 December 2018	263,537	197,227	95,969	106,249	25,655	4,962	160	15,777
31 December 2019	259,692	178,564	73,758	85,855	19,871	3,198	9	14,002
Depreciation for the year								
2018 (Baht 48 million included in manufacturing cost, and the balance in selling and administrative expenses)								92,824
2019 (Baht 44 million included in manufacturing cost, and the balance in selling and administrative expenses)								85,334

	Separate financial statements								Total
	Land and land improvement	Buildings	Building and leasehold improvement	Machinery	Furniture and equipment	Vehicles	Construction in progress	Others	
Cost:									
1 January 2018	146,739	305,771	300,578	398,619	166,271	92,001	-	98,007	1,507,986
Additions	46	-	8,519	14,873	6,519	75	2,752	14,676	47,460
Transfer-in (transfer-out)	-	-	1,851	14,214	242	-	(2,562)	(13,745)	-
Disposals	-	-	(897)	(34,903)	(5,303)	(5,750)	-	(239)	(47,092)
Written-off	-	-	-	(348)	(69)	-	(30)	(33)	(480)
31 December 2018	146,785	305,771	310,051	392,455	167,660	86,326	160	98,666	1,507,874
Additions	-	-	642	2,102	3,982	-	9	3,427	10,162
Transfer-in (transfer-out)	-	-	904	12	(215)	-	(160)	(541)	-
Disposals	-	-	(1,931)	(11,734)	(1,658)	(2,593)	-	(1,667)	(19,583)
Written-off	-	-	(3,208)	(1,549)	(840)	-	-	(1,438)	(7,035)
31 December 2019	146,785	305,771	306,458	381,286	168,929	83,733	9	98,447	1,491,418
Accumulated depreciation:									
1 January 2018	26,032	194,781	206,506	296,598	139,540	83,543	-	79,824	1,026,824
Depreciation for the year	3,701	6,930	22,726	23,554	11,275	4,629	-	4,737	77,552
Depreciation for transfer-in (transfer-out)	-	-	(200)	1,305	-	-	-	(1,105)	-
Depreciation on disposals	-	-	(897)	(34,903)	(5,198)	(5,750)	-	(224)	(46,972)
Depreciation on written-off	-	-	-	(348)	(52)	-	-	(30)	(430)
31 December 2018	29,733	201,711	228,135	286,206	145,565	82,422	-	83,202	1,056,974
Depreciation for the year	3,702	6,930	21,833	21,921	9,329	2,124	-	4,320	70,159
Depreciation for transfer-in (transfer-out)	-	-	-	-	(215)	-	-	215	-
Depreciation on disposals	-	-	(1,809)	(11,734)	(1,568)	(2,593)	-	(1,617)	(19,321)
Depreciation on written-off	-	-	(2,641)	(962)	(823)	-	-	(1,334)	(5,760)
31 December 2019	33,435	208,641	245,518	295,431	152,288	81,953	-	84,786	1,102,052
Net book value:									
31 December 2018	117,052	104,060	81,916	106,249	22,095	3,904	160	15,464	450,900
31 December 2019	113,350	97,130	60,940	85,855	16,641	1,780	9	13,661	389,366
Depreciation for the year									
2018 (Baht 48 million included in manufacturing cost, and the balance in selling and administrative expenses)									77,552
2019 (Baht 44 million included in manufacturing cost, and the balance in selling and administrative expenses)									70,159

As at 31 December 2019, the Group 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 852 million (2018: Baht 805 million) (The Company only: Baht 816 million, 2018: Baht 774 million).

The Company has mortgaged land with structures thereon with a bank with a total net book value as at 31 December 2019 and 2018 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 2019 and 2018 of Baht 104 million and Baht 117 million, respectively, with a mortgage value as at 31 December 2019 and 2018 of Baht 7 million, to secure bank overdrafts and credit facilities granted to the Company and such subsidiary company.

20. Intangible assets

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

(Unit: Thousand Baht)

	Consolidated financial statements	Separate financial statements
Cost		
1 January 2018	38,536	37,495
Additions	5,556	5,556
Written-off	(770)	(595)
31 December 2018	43,322	42,456
Additions	5,462	5,323
Written-off	(252)	(252)
31 December 2019	48,532	47,527
Accumulated amortisation		
1 January 2018	29,929	29,145
Amortisation for the year	1,506	1,456
Amortisation on written-off	(637)	(584)
31 December 2018	30,798	30,017
Amortisation for the year	2,100	2,050
Amortisation on written-off	(252)	(252)
31 December 2019	32,646	31,815
Net book value		
31 December 2018	12,524	12,439
31 December 2019	15,886	15,712
Amortisation expenses included in the income statement for the year		
2018	1,506	1,456
2019	2,100	2,050

21. Other non-current assets

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
Other assets	42	56	42	56
Deposits - related party	-	-	17,170	17,170
Deposits - unrelated parties	10,463	11,614	9,286	10,355
Advance for purchase fixed assets	134	164	134	164
Total	10,639	11,834	26,632	27,745

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

(Unit: Thousand Baht)

	Interest rate	Consolidated financial statements		Separate financial statements	
	(% per annum)	2019	2018	2019	2018
Bank overdrafts	MOR	535	1,231	535	30
Liabilities under trust receipts	2.12 - 2.48	63,832	56,472	-	-
Promissory note	2.25 - 2.80	129,500	289,000	-	88,000
Total		193,867	346,703	535	88,030

Bank overdrafts and certain loans are secured by the mortgage of land with structures thereon of the Group, as discussed in Notes 18 and 19.

23. Trade and other payables

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
Trade accounts payables - related parties	23,530	4,503	23,530	4,503
Trade accounts payables - unrelated parties	239,257	294,894	228,872	229,060
Other payables - related parties	-	-	3	2
Other payables - unrelated parties	57,034	55,646	48,679	45,814
Accrued expenses - related parties	-	-	867	967
Accrued expenses - unrelated parties	16,114	27,241	9,131	18,719
Customer deposits - unrelated parties	21,355	19,862	-	-
Total trade and other payables	357,290	402,146	311,082	299,065

24. 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	
	2019	2018	2019	2018
Provision for long-term employee benefits at beginning of year	179,021	169,063	165,598	156,681
Included in profit or loss:				
Current service cost	20,800	17,999	19,086	16,589
Interest cost	4,156	3,850	3,771	3,581
Past service costs	46,805	-	43,168	-
Dissolution of subsidiary	-	(638)	-	-
Included in other comprehensive income:				
Actuarial gain arising from	(14,645)	-	(15,211)	-
Demographic assumptions changes	(17,751)	-	(17,751)	-
Financial assumptions changes	8,961	-	8,395	-
Experience adjustments	(5,855)	-	(5,855)	-
Benefits paid during the year	(10,324)	(11,253)	(10,324)	(11,253)
Provisions for long-term employee benefits at end of year	225,813	179,021	206,088	165,598

On 5 April 2019, The Labor Protection Act (No. 7) B.E. 2562 was announced in the Royal Gazette. This stipulates additional legal severance pay rates for employees who have worked for an uninterrupted period of twenty years or more, with such employees entitled to receive not less than 400 days' compensation at the latest wage rate. The law is effective from 5 May 2019. This change is considered a post-employment benefits plan amendment and the Group has additional long-term employee benefit liabilities of Baht 46.8 million (The Company only: Baht 43.2 million) as a result. The Group has already reflected the effect of the change by recognising past service costs as expenses in the income statement.

The Group expects to pay Baht 8.0 million of long-term employee benefits during the next year (The Company only: Baht 5.9 million) (2018: Baht 10.5 million, The Company only: Baht 10.5 million).

As at 31 December 2019, the weighted average duration of the liabilities for long-term employee benefit is 10.78 to 24.07 years (The Company only: 22.00 years) (2018: 10.78 to 24.07 years, The Company only: 23.22 years).

Key actuarial assumptions used for the valuation are as follows:

	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
	(% per annum)	(% per annum)	(% per annum)	(% per annum)
Discount rate	2.1 - 2.9	2.2 - 3.1	2.1	2.3
Future salary increase rate	3.2 - 5.0	3.6 - 5.0	3.2	3.6
Turnover rate (depending on age)	0 - 54	0 - 57	0 - 54	0 - 57

The result of sensitivity analysis for significant assumptions that affect the present value of the long-term employee benefit obligation as at 31 December 2019 and 2018 are summarised below:

(Unit: Million Baht)

	As at 31 December 2019			
	Consolidated financial statements		Separate financial statements	
	Increase 0.5%	Decrease 0.5%	Increase 0.5%	Decrease 0.5%
Discount rate	(8.4)	8.9	(7.7)	8.3
Salary increase rate	9.1	(8.6)	8.2	(7.8)
Turnover rate	(8.8)	5.6	(8.1)	5.4

(Unit: Million Baht)

	As at 31 December 2018			
	Consolidated financial statements		Separate financial statements	
	Increase 0.5%	Decrease 0.5%	Increase 0.5%	Decrease 0.5%
Discount rate	(7.3)	7.9	(7.1)	7.6
Salary increase rate	8.7	(8.2)	8.4	(7.9)
Turnover rate	(7.7)	2.5	(7.4)	2.4

25. Statutory reserve

The Company

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 profit 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.

26. Revenue from contracts with customers

26.1 Disaggregated revenue information

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
Type of goods or service:				
Sale of furniture	2,374,118	2,510,951	2,189,038	2,348,323
Sale of furniture fitting and other materials	514,267	557,809	514,385	560,087
Architectural design service and construction	125,141	145,839	-	-
Service income	57,714	53,774	8,156	10,311
Total revenue from contracts with customers	3,071,240	3,268,373	2,711,579	2,918,721
Timing of revenue recognition:				
Revenue recognised at a point in time	2,946,099	3,122,534	2,711,579	2,918,721
Revenue recognised over time	125,141	145,839	-	-
Total revenue from contracts with customers	3,071,240	3,268,373	2,711,579	2,918,721

26.2 Revenue recognised in relation to contract balances

During the current year, the Group recognised revenue that was included in deposits from customers at the beginning of the year totaling Baht 373 million (The Company only: Baht 372 million).

26.3 Revenue to be recognised for the remaining performance obligations

As at 31 December 2019, the Group's revenue totaling Baht 1,889 million (The Company only: Baht 1,781 million) is expected to be recognised in the future in respect of performance obligations under contracts with customers that are unsatisfied (or partially unsatisfied) of contracts with customers. The Group expects to satisfy these performance obligations within the year 2023.

27. Other surplus

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
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	4	4	-	-
Gain on reclassification from investment in associate to investments in available-for-sale securities	6	6	21	21
Income tax effect	(2)	(2)	(4)	(4)
Total	8	8	17	17

28. Expenses by nature

Significant expenses classified by nature are as follows:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
Salaries and wages and other employee benefits	869,223	858,815	790,454	784,813
Purchase of finished goods	928,380	974,584	824,853	799,868
Depreciation	102,867	109,922	70,159	77,552
Amortisation	2,101	2,187	2,050	2,137
Rental expenses from operating lease agreements	20,947	18,925	49,843	47,925
Raw materials and consumables used	549,912	619,425	549,706	619,409
Changes in finished goods and work in process	31,942	(58,877)	43,332	(75,009)
Transportation and installation	84,435	104,438	82,679	101,365

29. Income tax

Income tax expenses for the years ended 31 December 2019 and 2018 are made up as follows:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
Current income tax:				
Current income tax charge	62,990	52,232	42,396	33,598
Adjustment in respect of income tax of previous year	(11)	909	(26)	909
Deferred tax:				
Relating to origination and reversal of temporary differences	(1,353)	18,027	(634)	22,763
Income tax expense reported in income statement	61,626	71,168	41,736	57,270

The amounts of income tax relating to each component of other comprehensive income for the years ended 31 December 2019 and 2018 are as follows:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
Deferred tax on actuarial gain for post - employment benefits plan	5,111	-	5,224	-
Deferred tax on gain (loss) from change in value of available-for-sale investments	1,423	(18,973)	1,158	(19,098)
	6,534	(18,973)	6,382	(19,098)

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

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
Accounting profit before tax	184,511	205,812	201,892	147,115
Applicable tax rate	15% - 20%	15% - 20%	20%	20%
Accounting profit before tax multiplied by income tax rate	36,889	40,420	40,378	29,423
Adjustment in respect of income tax of previous year	(11)	909	(26)	909
Expenses unrecognized to deferred tax assets	23,573	4,251	23,573	4,251
Effects of:				
Non-deductible expenses	4,379	6,298	3,267	5,131
Dividend received	(2,841)	(3,239)	(20,430)	(3,177)
Additional expense deductions allowed	(4,401)	(4,904)	(4,331)	(4,811)
Share of loss from investment	2,364	652	-	-
Unused tax losses	-	1,129	-	-
Reversal deferred tax assets record in prior period	2,203	22,879	-	22,763
Others	(529)	2,773	(695)	2,781
Total	1,175	25,588	(22,189)	22,687
Income tax expenses reported in the income statement	61,626	71,168	41,736	57,270

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	
	2019	2018	2019	2018
Deferred tax assets				
Allowance for doubtful accounts	10,520	11,176	8,916	8,916
Allowance for diminution in value of inventories	19,120	18,706	14,546	14,546
Provision for long-term employee benefits	28,741	27,400	24,951	24,951
Unused tax losses	459	951	-	-
Warranty provisions	223	111	-	-
Total	59,063	58,344	48,413	48,413
Deferred tax liabilities				
Unrealised gain on contracts with customers	1,449	-	1,449	-
Unrealised gain from revaluation of investments	6,088	4,665	5,697	4,539
Actuarial gain for post-employment benefits plan	5,273	162	5,426	202
Total	12,810	4,827	12,572	4,741
Deferred tax assets - net	46,253	53,517	35,841	43,672

As at 31 December 2019, the Group has deductible temporary differences totaling Baht 64.1 million (The Company only: Baht 61.9 million) (2018: Baht 31.9 million, The Company only: Baht 31.9 million), on which deferred tax assets have not been recognised as the Group believes future taxable profits may not be sufficient to allow utilisation of the temporary differences and unused tax losses.

30. 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	
	2019	2018	2019	2018
Profit for the year (Thousand Baht)	125,714	137,156	160,156	89,845
Earnings per share (Baht/share)	0.17	0.18	0.21	0.12
Weighted average number of ordinary shares (Thousand shares)	750,000	750,000	750,000	750,000

31. 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 Group is organised into business units based on its products and services and have 4 reportable segments which are (1) furniture business, (2) furniture fittings and other materials business, (3) office rental business and (4) architectural design and construction 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 Group's operating segments for the year ended 31 December 2019 and 2018, respectively.

	For the year ended 31 December 2019						
	Furniture fitting and other materials business		Rental and service business	Architectural design and construction business		Elimination of inter-segment	Consolidation
	Furniture business	business		business	Total reportable segments		
Revenue from external customers	2,389	514	161	125	3,189	(80)	3,109
Intersegment revenues	(7)	-	(73)	-	(80)	80	-
Dividend received	102	-	-	1	103	(88)	15
Other income	31	7	4	1	44	(1)	43
Finance cost	(12)	(1)	-	-	(13)	-	(13)
Depreciation and amortisation	(70)	(3)	(32)	-	(105)	1	(104)
Allowance for doubtful accounts	(1)	(1)	-	(5)	(7)	-	(7)
Bad debt recovery	13	-	-	1	14	-	14
Allowance for diminution in value of inventories	(7)	(27)	-	-	(34)	-	(34)
Disposal of land, buildings and equipments	1	-	-	-	1	-	1
Sales of investment	-	-	-	1	1	-	1
Share of loss from investments in associates on equity method	(12)	-	-	-	(12)	-	(12)
Profit before income tax expenses	172	5	94	-	271	(86)	185
Income tax expenses	(42)	-	(19)	(1)	(62)	-	(62)
Segment profit (loss)	130	5	75	(1)	209	(86)	123
Segment total assets							
Investments in associates based on equity method	32	-	-	-	32	-	32
Investment in joint venture based on equity method	45	-	-	-	45	-	45
Change in non-current assets other than financial instruments and deferred tax assets	(57)	(2)	(31)	7	(83)	-	(83)

	For the year ended 31 December 2018						
	Furniture fitting				Total reportable segments	Elimination of inter-segment	Consolidation
	Furniture business	and other materials business	Rental and service business	Architectural design business			
Revenue from external customers	2,516	558	157	147	3,378	(79)	3,299
Intersegment revenues	(3)	(2)	(73)	(1)	(79)	79	-
Dividend received	21	-	-	1	22	(5)	17
Other income	62	8	3	1	74	(4)	70
Finance cost	(10)	(1)	(1)	-	(12)	-	(12)
Depreciation and amortisation	(77)	(4)	(31)	(1)	(113)	1	(112)
Allowance for doubtful accounts	(2)	-	-	(1)	(3)	-	(3)
Bad debt recovery	3	-	-	-	3	-	3
Allowance for diminution in value of inventories	(27)	(13)	-	-	(40)	-	(40)
Disposal of land, buildings and equipments	1	-	1	-	2	-	2
Sales of investment	2	-	-	-	2	-	2
Share of loss from investments in associates on equity method	(3)	-	-	-	(3)	-	(3)
Profit before income tax expenses	73	37	89	11	210	(4)	206
Income tax expenses	(53)	-	(18)	-	(71)	-	(71)
Segment profit	20	37	71	11	139	(4)	135
Segment total assets							
Investments in associates based on equity method	46	-	-	-	46	-	46
Change in non-current assets other than financial instruments and deferred tax assets	(20)	(3)	(16)	-	(39)	(4)	(43)

Geographic information

The Group operates in Thailand only. As a result, all of the revenues and assets as reflected in these financial statements pertain exclusively to this geographical reportable segment.

Major customers

For the year 2019 and 2018, the Group has no major customer with revenue of 10 percent or more of an entity's revenues.

32. Provident fund

The Group and their employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. Both employees and the Group contributed to the fund monthly at the rate of 3% to 15% and 5%, respectively, 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 2019, the Group contributed Baht 20 million (2018: Baht 21 million) to the fund (The Company only: Baht 18 million, 2018: Baht 19 million).

33. Dividends

Dividends	Approved by	Total dividends (Thousand Baht)	Dividend per share (Baht per share)	Number of shares (Thousand shares)
Final dividends for 2018	Annual General Meeting of the shareholders on 23 April 2019	75,000	0.10	750,000
Interim dividends for 2019	Board of Directors' meeting on 18 September 2019	37,500	0.05	750,000
Total dividends for 2019		112,500		
Final dividends for 2017	Annual General Meeting of the shareholders on 27 April 2018	150,000	0.20	750,000
Interim dividends for 2018	Board of Directors' meeting on 18 September 2018	75,000	0.10	750,000
Total dividends for 2018		225,000		

34. Commitment and contingent liabilities

34.1 Capital commitments

As at 31 December 2019, the Company had capital commitments of approximately Baht 0.2 million (2018: Baht 0.2 million), relating to building improvement and purchasing machinery for production.

34.2 Purchasing of goods for sale

The Group had commitments of approximately Baht 44 million as at 31 December 2019, relating to purchasing of goods for sale (2018: Baht 25 million).

34.3 Operating lease and other service commitments

The Group 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	
	2019	2018
Payable within:		
1 year	101	110
1 to 5 years	95	158

This amount includes commitments of Baht 136 million (2018: Baht 180 million) under rental agreements which the Company has entered into with a subsidiary company.

34.4 Guarantees

As at 31 December 2019 and 2018, there were outstanding bank guarantees of approximately Baht 465 million and Baht 654 million, respectively issued by banks on behalf of the Group in respect of certain performance bonds as required in the normal course of business. These included letters of guarantee amounting to Baht 455 million and Baht 644 million, respectively, to guarantee contractual performance and Baht 10 million and Baht 10 million, respectively, to guarantee electricity use, among others.

34.5 Letter of credit

As at 31 December 2019, the Group had unused letters of credit amounting to Baht 1,188 million (2018: Baht 1,163 million).

35. Fair value hierarchy

As at 31 December 2019 and 2018, the Group had the assets and liabilities that were measured or disclosed at fair value using different levels of inputs as follows:

(Unit: Million Baht)

	Consolidated Financial Statements			
	As at 31 December 2019			
	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
Current investments	30	-	-	30
Available-for-sale investments	129	-	-	129
Assets for which fair value are disclosed				
Investment Property	-	-	910	910
Liabilities for which fair value are disclosed				
Derivatives				
Foreign currency forward contracts	-	0.05	-	0.05

(Unit: Million Baht)

	Consolidated Financial Statements			
	As at 31 December 2018			
	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
Current investments	55	-	-	55
Available-for-sale investments	213	-	-	213
Assets for which fair value are disclosed				
Investment Property	-	-	910	910
Liabilities for which fair value are disclosed				
Derivatives				
Foreign currency forward contracts	-	0.26	-	0.26

(Unit: Million Baht)

	Separate Financial Statements			
	As at 31 December 2019			
	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
Current investments	30	-	-	30
Available-for-sale investments	112	-	-	112
Assets for which fair value are disclosed				
Investment Property	-	-	0.68	0.68
Liabilities for which fair value are disclosed				
Derivatives				
Foreign currency forward contracts	-	0.03	-	0.03

(Unit: Million Baht)

	Separate Financial Statements			
	As at 31 December 2018			
	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
Current investments	55	-	-	55
Available-for-sale investments	195	-	-	195
Assets for which fair value are disclosed				
Investment Property	-	-	0.68	0.68

36. Financial instruments

36.1 Financial risk management

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

Credit risk

The Group is exposed to credit risk primarily with respect to trade and other receivables. The Group manages the risk by adopting appropriate credit control policies and procedures and therefore does not expect to incur material financial losses. In addition, the Group does 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 trade and other receivables as stated in the statement of financial position.

Interest rate risk

The Group's exposure to interest rate risk relates primarily to its cash at banks, 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 2019				
	Fixed interest	Floating	Non-interest	Total	Average
	rates within 1 year	interest rate	bearing		interest rate (% per annum)
Financial assets					
Cash and cash equivalents	-	451,595	7,678	459,273	0.13 - 1.25
Current investments	-	-	30,288	30,288	-
Available-for-sale investments	-	-	128,992	128,992	-
Other long-term investments	-	-	85,675	85,675	-
Trade and other receivables	-	-	579,903	579,903	-
	-	451,595	832,536	1,284,131	
Financial liabilities					
Bank overdrafts and short-term loans from financial institutions	129,500	64,367	-	193,867	2.12 - 2.80, MOR
Trade and other payables	-	-	357,290	357,290	-
	129,500	64,367	357,290	551,157	

(Unit: Thousand Baht)

	Consolidated financial statements				
	As at 31 December 2018				
	Fixed interest	Floating	Non-interest	Total	Average
	rates within 1 year	interest rate	bearing		interest rate (% per annum)
Financial assets					
Cash and cash equivalents	-	284,873	12,123	296,996	0.13 - 1.20
Current investments	-	-	54,951	54,951	-
Available-for-sale investments	-	-	213,078	213,078	-
Other long-term investments	-	-	41,675	41,675	-
Trade and other receivables	-	-	788,916	788,916	-
	-	284,873	1,110,743	1,395,616	
Financial liabilities					
Bank overdrafts and short-term loans from financial institutions	345,472	1,231	-	346,703	0.90 - 2.55, MOR
Trade and other payables	-	-	402,146	402,146	-
	345,472	1,231	402,146	748,849	

(Unit: Thousand Baht)

	Separate financial statements				
	As at 31 December 2019				
	Fixed interest	Floating	Non-interest	Total	Average
	rates within 1 year	interest rate			interest rate (% per annum)

Financial assets

Cash and cash equivalents	-	339,518	6,164	345,682	0.22 - 1.25
Current investments	-	-	30,288	30,288	-
Available-for-sale investments	-	-	111,676	111,676	-
Other long-term investments	-	-	85,675	85,675	-
Trade and other receivables	-	-	519,143	519,143	-
	-	339,518	752,946	1,092,464	

Financial liabilities

Bank overdrafts and short-term loans from financial institutions	-	536	-	536	MOR
Trade and other payables	-	-	311,082	311,082	-
	-	536	311,082	311,618	

(Unit: Thousand Baht)

	Separate financial statements				
	As at 31 December 2018				
	Fixed interest	Floating	Non-interest	Total	Average
	rates within 1 year	interest rate			interest rate (% per annum)

Financial assets

Cash and cash equivalents	-	180,871	9,352	190,223	0.38 - 1.20
Current investments	-	-	54,951	54,951	-
Available-for-sale investments	-	-	195,487	195,487	-
Other long-term investments	-	-	41,675	41,675	-
Trade and other receivables	-	-	605,000	605,000	-
	-	180,871	906,465	1,087,336	

Financial liabilities

Bank overdrafts and short-term loans from financial institutions	88,000	30	-	88,030	1.90, MOR
Trade and other payables	-	-	299,065	299,065	-
	88,000	30	299,065	387,095	

Foreign currency risk

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

As at 31 December 2019 and 2018, the balance of financial assets and liabilities denominated in foreign currencies are summarised below.

Foreign currency	Financial assets		Financial liabilities		Average exchange rate	
	as at 31 December		as at 31 December		As at 31 December	
	2019	2018	2019	2018	2019	2018
	(Thousand)	(Thousand)	(Thousand)	(Thousand)	(Baht per 1 foreign currency unit)	
US dollar	146	179	1,038	1,263	30.1540	32.4498
Euro	-	-	1,936	1,979	33.7311	37.1252
Danish Krone	-	-	121	122	4.5165	4.9750
Swiss Franc	-	-	23	3	30.9530	32.9542
Japanese Yen	-	-	-	7	0.2759	0.2931
Singapore dollar	-	-	-	3	22.3245	23.6943
Hong kong dollar	-	-	31	-	3.8732	4.1416

As at 31 December 2019, the Group had foreign exchange contracts outstanding are summarised below.

Foreign currency	Bought amount (Thousand)	Contractual exchange rate (Baht per 1 foreign currency unit)	Contractual maturity date
US dollar	520	30.20 - 30.22	26 - 31 March 2020
Euro	164	33.82	31 March 2020

As at 31 December 2018, the subsidiary had foreign exchange contracts outstanding are summarised below.

Foreign currency	Bought amount (Thousand)	Contractual exchange rate (Baht per 1 foreign currency unit)	Contractual maturity date
US dollar	104	32.73 - 32.85	6 May 2019 - 6 June 2019
Euro	410	37.55 - 38.47	20 February 2019 - 14 June 2019

36.2 Fair values of financial instruments

Since the majority of the Group's financial instruments are short-term in nature or carrying interest at rates close to the market 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 financial statement		Separate financial statement	
	As at 31 December 2019	As at 31 December 2018	As at 31 December 2019	As at 31 December 2018
	Fair value	Fair value	Fair value	Fair value
	Loss	Loss	Loss	Loss
Derivatives				
Forward exchange contracts	0.05	0.26	0.03	-

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

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.

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

37. Capital management

The primary objective of the Group'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 2019, the Group's debt-to-equity ratio was 0.55:1 (2018: 0.59:1) and the Company's was 0.46:1 (2018: 0.46:1).

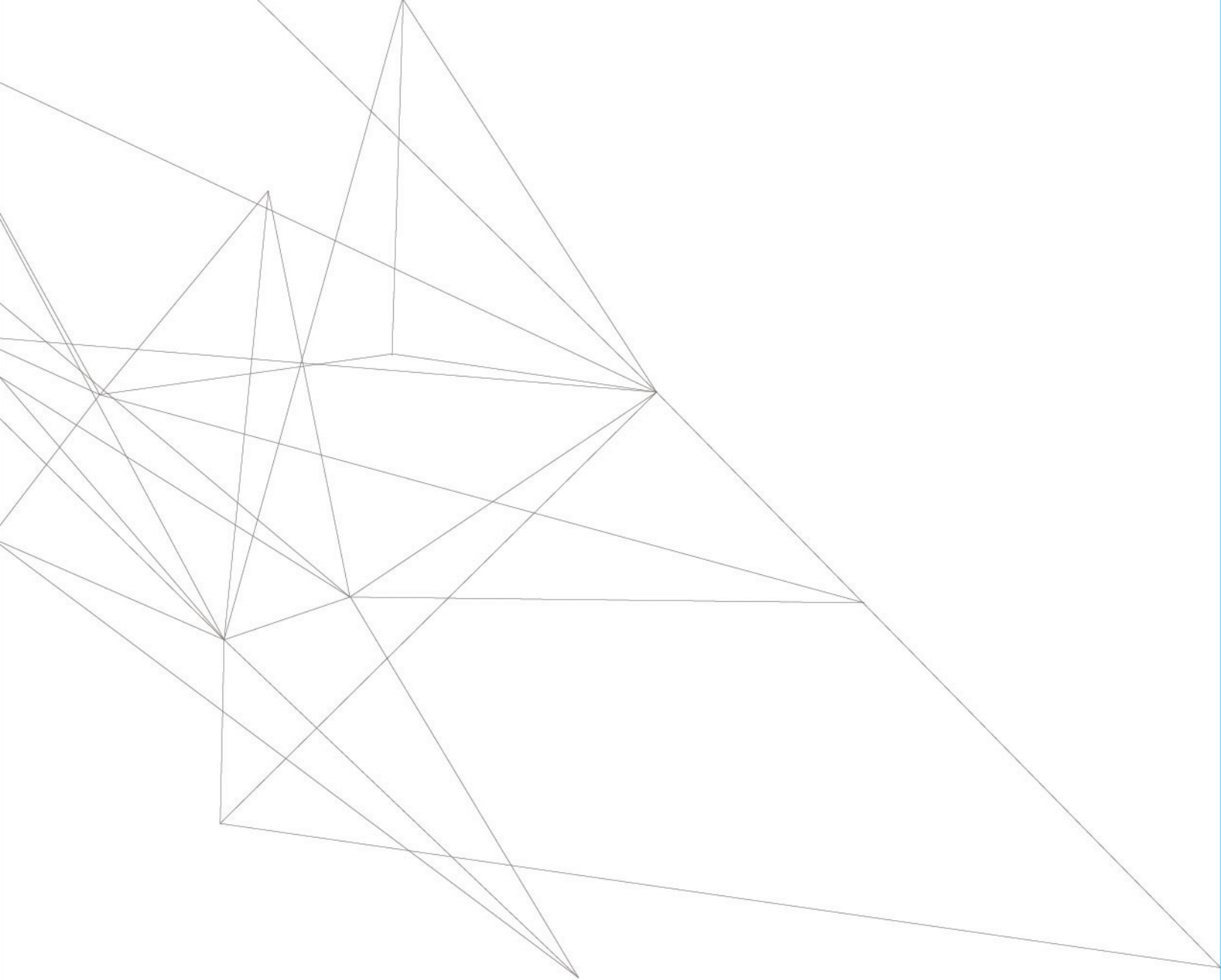
38. Events after the reporting period

Dividend payment

On 27 February 2020, the meeting of the Company's Board of Directors 1/2020 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 2019 of Baht 0.17 per share, totalling of Baht 127.50 million. The Company paid an interim dividend of Baht 0.05 per share in October 2019. The remaining dividend of Baht 0.12 per share will be paid and recorded after it is approved by the annual general meeting of the Company's shareholders.

39. Approval of financial statements

These financial statements were authorised for issue by the Company's Board of Directors on 27 February 2020.



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