

**FIRETRADE ENGINEERING PUBLIC COMPANY LIMITED
AND ITS SUBSIDIARY**
Condensed Notes to Financial Statements
September 30, 2017 and 2016 (Unaudited/Reviewed)
and December 31, 2016 (Audited)

1. GENERAL

Firetrade Engineering Public Company Limited (“ the Company”) (formerly Firetrade Engineering Company Limited) was incorporated as a limited company under the Civil and Commercial Code of Thailand on November 2, 1999 and has its registered office at 21/57-58 Soi Soonvijai, Rama 9 Road, Bangkapi District, Huaykwang Sub-district, Bangkok 10310.

On August 8, 2016, the Company was registered the legal transformation of juristic person from being limited company under the Civil and Commercial Code to limited public company under the Limited Public Company Act B.E. 2535 and the Company was registered as the listed entity in the Stock Exchange of Thailand (“SET”) on July 27, 2017.

The Company is engaged in sales of fire protection equipment and systems, design, installation, repair and maintenance the fire protection systems.

2. BASIS FOR PREPARATION OF INTERIM FINANCIAL INFORMATION

The accompanying interim financial information are prepared on a condensed basis in accordance with Thai Accounting Standard (“TAS”) No. 34 (revised 2016) “Interim Financial Reporting” including related interpretations and guidelines promulgated by the Federation of Accounting Professions (“FAP”), and the applicable rules and regulations of the Securities and Exchange Commission.

The interim financial information are prepared to provide an update on the financial statements for the year ended December 31, 2016. They focus on new activities, events and circumstances to avoid repetition of information previously reported. Accordingly, these interim financial information should be read in conjunction with the financial statements for the year ended December 31, 2016.

The consolidated interim financial information, comprised of the financial statements of the Company and its subsidiary (hereinafter referred to as “the Group”). The Company’s subsidiary, i.e. Fire Inspector Co., Ltd., was incorporated in Thailand on May 11, 2007 to be engaged in sales, installation and provide service for all types of fire protection equipment and systems. The Company has the controlling power and the percentage of shareholding in such company at 99.99%.

Significant intra-group transactions between the Company and its subsidiary are eliminated in the preparation of the consolidated financial statements.

For convenience of the readers, an English translation of the financial statements has been prepared from the Thai language statutory financial statements that are issued for domestic financial reporting purposes.

FAP has revised Thai Financial Reporting Standards (Thai Accounting Standards, Thai Accounting Standard Interpretations, Thai Financial Reporting Standards and Thai Financial Reporting Interpretations) which become effective for the period beginning on or after January 1, 2017. The adoption of these Thai Financial Reporting Standards does not have significant impact on the Group’s financial information.

Accounting policies and methods of computation applied in the interim financial information for the three-month and nine-month periods ended September 30, 2017 and 2016 are consistent with those applied in the financial statements for the year ended December 31, 2016.

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3. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties are those parties controlled by the Group or have power control over the Group, directly or indirectly, or have significant influence over the financial or operating policies of the Group.

Significant transactions with related parties for the three-month periods ended September 30, 2017 and 2016 were as follows:

	In Thousand Baht			
	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
Revenues from sales	423	228	2,687	3,854
Revenues from services	-	-	691	937
Interest income	-	-	228	-
Other income	362	292	441	359
Purchase of goods	245	53	2,183	2,828
Engineering and warehousing charge	-	-	-	305
Interest expense	-	57	-	57
Remunerations of key management				
- Short-term benefits	3,821	3,195	3,469	2,838
- Post-employment benefits	290	240	264	219
Total	4,111	3,435	3,733	3,057

Significant transactions with related parties for the nine-month periods ended September 30, 2017 and 2016 were as follows:

	In Thousand Baht			
	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
Revenues from sales	715	460	10,642	6,689
Revenues from services	-	-	1,973	2,004
Dividend income	-	-	18,978	-
Interest income	-	-	782	-
Other income	1,021	834	1,269	1,020
Purchase of goods	1,118	219	6,134	5,427
Purchase of assets	-	4	-	4
Engineering and warehousing charge	-	9	200	1,768
Interest expense	-	1,184	-	1,060

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	In Thousand Baht			
	Consolidated		Separate	
	financial statements		financial statements	
	2017	2016	2017	2016
Remunerations of key management				
- Short-term benefits	10,922	9,492	9,683	8,433
- Post-employment benefits	857	713	781	652
Total	11,779	10,205	10,464	9,085

Balances with related parties as at September 30, 2017 and December 31, 2016 were as follows:

	In Thousand Baht			
	Consolidated		Separate	
	financial statements		financial statements	
	September 30, 2017	December 31, 2016	September 30, 2017	December 31, 2016
Trade and other accounts receivable				
- Trade accounts receivable				
Fire Inspector Co., Ltd.	-	-	2,486	16,835
Safety Factory Co., Ltd.	432	257	432	257
Total	432	257	2,918	17,092
- Other accounts receivable				
S.I. Firetrade Co., Ltd.	24	58	24	58
Econlite Manufacturing (Thailand) Co., Ltd.	12	-	12	-
Fire Inspector Co., Ltd.	-	-	19	45
Safety Factory Co., Ltd.	7	23	7	23
Total	43	81	62	126
Total trade and other accounts receivable	475	338	2,980	17,218

The trade accounts receivable were aged as follows:

Current	264	257	2,398	16,290
Overdue:				
- Not over 3 months	168	-	520	802
Total	432	257	2,918	17,092

Short-term loans to and interest receivable

Fire Inspector Co., Ltd.				
- Short-term loans to	-	-	22,000	24,800
- Interest receivable	-	-	72	83
Total short-term loans to and interest receivable	-	-	22,072	24,883

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	In Thousand Baht			
	Consolidated		Separate	
	September 30, 2017	December 31, 2016	September 30, 2017	December 31, 2016
Trade and other accounts payable				
- Trade accounts payable				
Fire Inspector Co., Ltd.	-	-	2,063	3,330
Safety Factory Co., Ltd.	236	71	236	71
Econlite Manufacturing (Thailand) Co., Ltd.	13	8	13	8
S.I. Firetrade Co., Ltd.	2	-	-	-
Total	<u>251</u>	<u>79</u>	<u>2,312</u>	<u>3,409</u>
- Other accounts payable				
Fire Inspector Co., Ltd.	-	-	-	196
Safety Factory Co., Ltd.	5	2	5	2
Total	<u>5</u>	<u>2</u>	<u>5</u>	<u>198</u>
Total trade and other accounts payable	<u>256</u>	<u>81</u>	<u>2,317</u>	<u>3,607</u>
Other current liabilities				
- Refundable deposits				
S.I. Firetrade Co., Ltd.	100	100	100	100
Safety Factory Co., Ltd.	26	26	26	26
Fire Inspector Co., Ltd.	-	-	22	22
Total	<u>126</u>	<u>126</u>	<u>148</u>	<u>148</u>

Movements during the nine-month periods ended September 30, 2017 and 2016 of short-term loans to related party and short-term borrowings from related persons were as follows:

	In Thousand Baht			
	Consolidated		Separate	
	2017	2016	2017	2016
Short-term loans to				
Balance as at January 1	-	-	24,800	-
Increase	-	-	9,000	-
Decrease	-	-	(11,800)	-
Balance as at September 30	<u>-</u>	<u>-</u>	<u>22,000</u>	<u>-</u>
Short-term borrowings from				
Balance as at January 1	-	82,821	-	70,261
Increase	-	27,500	-	24,000
Decrease	-	(110,321)	-	(94,261)
Balance as at September 30	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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4. TRADE AND OTHER ACCOUNTS RECEIVABLE - OTHERS

As at September 30, 2017 and December 31, 2016, the Group had outstanding balance of trade and other accounts receivable – others, were as follows:

	In Thousand Baht			
	Consolidated financial statements		Separate financial statements	
	September 30, 2017	December 31, 2016	September 30, 2017	December 31, 2016
- The trade accounts receivable were aged as follows:				
Current	145,519	115,085	141,869	90,697
Overdue:				
- Not over 3 months	52,574	63,552	45,821	62,053
- Over 3 months to 6 months	11,928	4,520	10,510	4,520
- Over 6 months to 12 months	5,120	4,965	5,120	3,844
- Over 12 months	3,216	4,319	3,156	4,149
Total	<u>218,357</u>	<u>192,441</u>	<u>206,476</u>	<u>165,263</u>
Less allowance for doubtful accounts	<u>(3,927)</u>	<u>(7,364)</u>	<u>(3,867)</u>	<u>(6,414)</u>
Net	<u>214,430</u>	<u>185,077</u>	<u>202,609</u>	<u>158,849</u>
- Other accounts receivable				
Retention receivables	3,684	804	1,605	371
Advances paid to installation contractors	1,609	2,670	1,527	2,670
Other prepaid expenses	6,505	7,363	6,334	7,299
Other receivables	371	207	370	205
Total	<u>12,169</u>	<u>11,044</u>	<u>9,836</u>	<u>10,545</u>
Total trade and other accounts receivable	<u>226,599</u>	<u>196,121</u>	<u>212,445</u>	<u>169,394</u>

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5. INVESTMENT IN SUBSIDIARY ACCOUNTED FOR USING THE COST METHOD

As at September 30, 2017 and December 31, 2016, the details of investment in subsidiary in the separate financial statements were as follows:

	In Thousand Baht		%		In Thousand Baht		In Thousand Baht	
	Authorized and paid-up share capital		Percentage of shareholding		Cost method		Dividend income	
	September 30, 2017	December 31, 2016	September 30, 2017	December 31, 2016	September 30, 2017	December 31, 2016	September 30, 2017	September 30, 2016
Fire Inspector Co., Ltd.	2,000	2,000	99.99	99.99	4,849	4,849	18,978	-

Note : See Note 8 and 12.

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6. CREDIT FACILITIES WITH FINANCIAL INSTITUTIONS

As at September 30, 2017 and December 31, 2016, the Group had credit facilities with several local financial institutions as follows:

	In Thousand Baht			
	Consolidated financial statements		Separate financial statements	
	September 30, 2017	December 31, 2016	September 30, 2017	December 31, 2016
Bank overdrafts	1,000	31,000	1,000	31,000
Short-term loans	38,000	68,000	38,000	68,000
Letters of guarantee	53,000	42,900	50,000	39,900
Foreign currency forward contracts	14,390	14,390	14,390	14,390
Total	<u>106,390</u>	<u>156,290</u>	<u>103,390</u>	<u>153,290</u>

As at September 30, 2017, credit facilities are guaranteed by two directors and pledged a fixed deposit at bank of the Company and various fixed deposits at banks of a director as collateral.

Bank overdrafts bear interest at the rates of the pledged fixed deposits as collateral plus 2.0% per annum.

Short-term loans consist of promissory notes and trust receipts bear interest at the rates of MLR and MMR.

7. TRADE AND OTHER ACCOUNTS PAYABLE - OTHERS

As at September 30, 2017 and December 31, 2016, the Group had outstanding balance of trade and other accounts payable – others, were as follows:

	In Thousand Baht			
	Consolidated financial statements		Separate financial statements	
	September 30, 2017	December 31, 2016	September 30, 2017	December 31, 2016
Trade and other accounts payable				
- Trade accounts payable	<u>139,707</u>	<u>63,117</u>	<u>138,620</u>	<u>57,335</u>
- Other accounts payable				
Advances received from project customers	8,630	19,319	5,011	18,118
Accrued commissions	5,945	5,807	5,485	5,254
Accrued expenses	10,500	3,966	9,987	3,792
Other payables	3,975	2,286	3,852	1,958
Total	<u>29,050</u>	<u>31,378</u>	<u>24,335</u>	<u>29,122</u>
Total trade and other accounts payable	<u>168,757</u>	<u>94,495</u>	<u>162,955</u>	<u>86,457</u>

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Work in progress

	In Thousand Baht			
	Consolidated		Separate	
	financial statements		financial statements	
	September 30, 2017	December 31, 2016	September 30, 2017	December 31, 2016
Progress billings	9,059	23,280	5,440	22,060
Less project work in progress	(429)	(3,961)	(429)	(3,942)
Advance received from project customers	8,630	19,319	5,011	18,118

	In Thousand Baht			
	Consolidated		Separate	
	financial statements		financial statements	
	September 30, 2017	December 31, 2016	September 30, 2017	December 31, 2016
Project work in progress	288,614	156,492	274,458	120,384
Less progress billings	(193,753)	(103,872)	(183,255)	(93,399)
Unbilled project work in progress	94,861	52,620	91,203	26,985
Less allowance for doubtful accounts	(1,311)	(1,311)	(1,311)	(1,311)
Unbilled project work in progress - net	93,550	51,309	89,892	25,674

8. SHARE CAPITAL

At the extraordinary shareholders' meeting held on July 28, 2016, the shareholders approved the following matters:

- a) Increase the Company's authorized share capital from Baht 20 million to Baht 225 million by newly issued share capital amounted to Baht 205 million (divided into 2,050,000 ordinary shares at Baht 100 par value). The allocations of the increasing shares are as follows:
 1. Allocated and offered increasing 2,002,500 ordinary shares to the existing shareholders according to the proportion of shareholding, and
 2. Allocated increasing 47,500 ordinary shares for purchase Fire Inspector Co., Ltd's 19,998 ordinary shares from its shareholders.

And modify the Company's Memorandum of Association in order to conform with the increase in authorized share capital. The Company registered the above increasing share capital with the Ministry of Commerce on August 1, 2016,

- b) Approve to purchase 19,998 ordinary shares of Fire Inspector Co., Ltd. from its shareholders and pay by increasing 47,500 ordinary shares of the Company. The result from this purchase, Fire Inspector Co., Ltd. become the Company's subsidiary,

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On July 28, 2016, the Company took its increase share capital 47,500 ordinary shares to swap with the investment in 19,998 ordinary shares of Fire Inspectors Co., Ltd. (“the subsidiary”), 99.99% of shareholding as if it was a business combination of entity under common control which considered as the Company is the parent company of the subsidiary, 95.00% of shareholding, before January 1, 2016. Consequently, the Company prepared the consolidated financial statements which included the financial statements of the subsidiary before January 1, 2016. Such presentation reflects the economic substances of the entities in the group which are under common control throughout the related time as though the entities in the group operated as one economic unit before January 1, 2016, although the legal form of the relationship between the Company and the subsidiary incurred later. The difference between the net book value of net assets of the subsidiary as at business restructuring date and cost of business restructuring under common control amounted to Baht 0.10 million was presented under “Share premium on business restructuring under common control” under shareholders’ equity in the consolidated financial statements.

- c) Approve to transform the limited company to public limited company and list the Company on the Stock Exchange of Thailand including initial public offering (IPO) and modify the Company’s Memorandum of Association in order to conform with the transform the limited company to public limited company,
- d) Change the par value of authorized share from Baht 100 per share to Baht 0.50 per share,
- e) Increase the Company’s authorized share capital from Baht 225 million by newly issued share capital amounted to Baht 75 million (divided into 150 million ordinary shares at Baht 0.50 par value) with totalling authorized share capital Baht 300 million (divided into 600 million ordinary shares at Baht 0.50 par value) and allocate the increasing shares for initial public offering (IPO).

The Company registered the change in par value of ordinary shares, and increase in share capital with the Ministry of Commerce on August 8, 2016,

- f) Modify the Company’s Articles of Association in order to conform with the transform the limited company to public limited company, and
- g) Approve to list the Company’s ordinary shares on The Stock Exchange of Thailand.

On July 25, 2017, the Company received the proceeds from sell of its initial public offering of ordinary shares of Baht 442.5 million (newly issued 150 million ordinary shares at the price of Baht 2.95 per share) which was separately recorded as its share capital of Baht 75 million and premium on shares approximately Baht 346.5 million (net of expense on offering of ordinary shares totalling approximately Baht 21 million) as the separate item under “Shareholders’ equity” in the statement of financial position as at September 30, 2017.

The Company had registered the increase in paid-up share capital with the Ministry of Commerce on July 25, 2017 and the Company’s ordinary shares were accepted as the listed securities by The Stock Exchange of Thailand on July 27, 2017.

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9. SIGNIFICANT FINANCIAL INFORMATION CLASSIFIED BY OPERATING SEGMENT

Revenues from sales of goods, revenues from project works and services, other income, costs of sales of goods, costs of project works and rendering of services, other expenses, and profit / loss before income tax expense are significant financial and core information of the Group that are provided regularly to the highest authority in decision-making operation and also used in evaluation of financial performances of the segments. The Group operates in two main business segments, namely sales of fire protection equipment systems and project works and services (design, installation, repair and maintenance of fire protection systems).

In addition, the Group operates its business in Thailand. The management therefore considers that the Group has one geographical segment.

The following information classified of the Group business segments for the three-month and nine-month periods ended September 30, 2017 and 2016;

	Consolidated financial statements - Three-month periods (In Thousand Baht)					
	2017			2016		
	Revenues from sales	Revenues from project works and services	Total	Revenues from sales	Revenues from project works and services	Total
Revenues	194,627	83,349	277,976	151,052	49,337	200,389
Costs	(139,324)	(65,433)	(204,757)	(113,002)	(37,479)	(150,481)
Gross profit	55,303	17,916	73,219	38,050	11,858	49,908

	Consolidated financial statements - Nine-month periods (In Thousand Baht)					
	2017			2016		
	Revenues from sales of goods	Revenues from project works and services	Total	Revenues from sales of goods	Revenues from project works and services	Total
Revenues	503,836	221,887	725,723	472,976	124,902	597,878
Costs	(367,417)	(169,638)	(537,055)	(355,069)	(101,739)	(456,808)
Gross profit	136,419	52,249	188,668	117,907	23,163	141,070

10. COMMITMENTS

As at September 30, 2017, the Company had several office buildings and warehouses lease agreements with various terms whereby the last agreements will end on September 30, 2018. The Company is committed to pay lease under such agreements totalling approximately Baht 3.69 million.

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11. CONTINGENT LIABILITY

As at September 30, 2017, the Group had contingent liabilities for letters of guarantee issued by two local financial institutions in favor of several counterparties for commercial purposes totalling Baht 23.37 million.

12. DIVIDEND PAYMENT

- Firetrade Engineering Public Company Limited.

At the extraordinary shareholders' meeting No. 1/2016 held on January 28, 2016, the shareholders approved the dividend payment from net profit for the year 2012 at the rate of Baht 19.36047 per share, totalling Baht 3,872,094.95. The dividend was paid to the shareholders in March 2016.

At the extraordinary shareholders' meeting No. 2/2016 held on July 28, 2016, the shareholders approved the dividend payment from net profit for the year 2012 – 2015 at the rate of Baht 1,395.74 per share, totalling Baht 279,148,000.00. The dividend was paid to the shareholders in July and December 2016.

At the general shareholders' meeting of 2017 held on March 10, 2017, the shareholders approved the dividend payment from net profit for the year 2016 at the rate of Baht 0.14 per share, totalling Baht 63 million. The dividend was paid to the shareholders in March 2017.

At the Board of Directors' meeting No. 2/2017 held on May 12, 2017, the Board of Directors approved an interim dividend payment from operation of the 1st quarter of 2017 at the rate of Baht 0.042 per share, totalling Baht 18.9 million. The dividend was paid to the shareholders in May 2017.

- Fire Inspector Company Limited. (“the subsidiary”)

At the Board of Directors' meeting No. 2/2016 held on July 1, 2016, the Board of Directors approved an interim dividend payment from net profit since start the operation to 2015 and some part of net profit for the year 2016 at the rate of Baht 1,097.50 per share, totalling Baht 21,950,000.00 and appropriated additional legal reserve amounting to Baht 76,496.46, totalling legal reserve was 10% of the subsidiary's authorized share capital. The dividend was paid to the shareholders of the subsidiary in November and December 2016.

At the general shareholders' meeting of 2017 of the subsidiary held on March 21, 2017, the subsidiary's shareholders approved the dividend payment from net profit for the year 2016 of the subsidiary at the rate of Baht 949 per share, totalling Baht 18.98 million. The dividend was paid to the shareholders of the subsidiary on March 31, 2017.

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13. EVENT AFTER THE REPORTING PERIOD

- Firetrade Engineering Public Company Limited.

At the Board of Directors' meeting No. 4/2017 held on November 8, 2017, the Board of Directors approved the second interim dividend payment from operation for the six-month period ended June 30, 2017 at the rate of Baht 0.07 per share, totalling Baht 42 million. The dividend will be paid to the shareholders within December 7, 2017.

14. APPROVAL OF INTERIM FINANCIAL INFORMATION

The accompanying interim financial information has been approved for dissemination by the Board of Directors' meeting of the Company on November 8, 2017.