

**FIRETRADE ENGINEERING PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY**  
**NOTES TO THE INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2018 (UNAUDITED)**  
**(REVIEWED)**

**1. GENERAL INFORMATION**

Firetrade Engineering Public Company Limited (“the Company”) was incorporated in Thailand under the Civil and Commercial Code on 2 November 1999 and became a public company limited on 8 August 2016. The Company’s principal activities are to sales of fire protection equipment and systems, design, installation, repair and maintenance the fire protection systems.

On 27 July 2017, the Company was listed on the Stock Exchange of Thailand.

The registered office of the Company is at 21/57-58 Soi Soonvijai, Rama 9 Road, Bangkapi Sub-district, Huaykwang District, Bangkok.

**2. BASIS OF PREPARATION OF THE INTERIM FINANCIAL STATEMENTS**

The interim financial statements are prepared in accordance with Thai Accounting Standard (“TAS”) No. 34, Interim Financial Reporting (revised 2017) to provide information additional to that included in the financial statements for the year ended 31 December 2017. They focus on new activities, events and circumstances to avoid repetition of information previously reported. Accordingly, these interim financial statements should be read in conjunction with the financial statements for the year ended 31 December 2017.

The interim financial statements have been prepared in the Thai language and expressed in Thai Baht. Such interim financial statements have been prepared for domestic reporting purposes. For the convenience of the readers not conversant with the Thai language, an English version of the interim financial statements has been provided by translating from the Thai version of the interim financial statements.

The preparation of the interim financial statements in accordance with Thai Financial Reporting Standards (“TFRS”) requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these interim financial statements, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended 31 December 2017.

## **BASIS OF PREPARATION OF THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

The consolidated interim financial statements are prepared using the same basis as were used for the consolidated financial statements for the year ended 31 December 2017 and consisted of the interim financial statements of Firetrade Engineering Public Company Limited, and its subsidiary (together referred to as “the Group”) as follows:

Subsidiary	Located in	Business type	Percentage of holding (%)		
			30 September		31 December
			2018	2017	2017
Fire Inspector Co., Ltd.	Thailand	Sales, installation and provide service	99.99	99.99	99.99

of fire protection equipment and systems.

All significant intercompany transactions and accounts are eliminated in preparing the consolidated interim financial statements.

The preparations of the consolidated interim financial statements have been based on the same accounting policies for the same or similar accounting transactions or accounting events.

### **Changes in application of new and revised TFRS**

#### **Revised TFRS that became effective in the current period**

During the period 2018, the Group has adopted revised TFRS (revised 2017) which are effective for the accounting period beginning on or after 1 January 2018. These TFRS were aimed at alignment with the corresponding International Financial Reporting Standards, with most of the changes and clarifications directed towards disclosures in the note to the financial statements. The adoption of these financial reporting standards does not have any significant impact on the Group’s financial statements.

#### **New TFRS not yet effective**

During the period 2018, the Federation of Accounting Professions has issued Notifications, mandating the use of TFRS 15 Revenue from Contracts with Customers which is effective for the financial statements for the period beginning on or after 1 January 2019 and a set of 5 TFRSs related to financial instruments, which are effective for the financial statements for the period beginning on or after 1 January 2020. Key principles of these standards are summarized below.

#### **TFRS 15 Revenue from Contracts with Customers**

TFRS 15 supersedes TAS 11 (revised 2017) Construction Contracts and TAS 18 (revised 2017) Revenue, together with related Interpretations. The Group is 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 recognized at an amount that reflects the consideration to which the Group 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 management of the Group is assessing the impacts of this TFRS on the financial statements for the period in which it is initially applied.

#### **TFRS related to financial instruments**

The set of TFRS related to financial instruments consists of five TAS, TFRS and interpretations as follows:

TAS/TFRS/TFRIC	Topic
TAS 32	Financial Instruments: Presentation
TFRS 7	Financial Instruments: Disclosures
TFRS 9	Financial Instruments
TFRIC 16	Hedges of a Net Investment in a Foreign Operation
TFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

These TFRS 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 financial instruments, the characteristics of the contractual cash flows and the Group's business model), calculation of impairment of financial instruments using the expected credit loss method, and hedge accounting. These include stipulations regarding the presentation and disclosure of financial instruments. When the TFRS related to financial instruments are effective, some accounting standards, interpretations and guidance which are currently effective will be cancelled.

The management of the Group is assessing the impacts of these TFRS on the financial statements for the period in which they are initially applied.

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The interim financial statements are prepared using the same accounting policies and methods of computation as were used for the financial statements for the year ended 31 December 2017.

### **4. RELATED PARTY TRANSACTIONS**

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

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

During the period, the Group had significant business transactions with related parties. Such transactions, which are summarised below, arose in the ordinary course of businesses and were concluded on commercial terms and agreed upon between the Group and those related parties.

The significant transactions with related parties for the nine-month periods ended 30 September 2018 and 2017 were as follows:

	Thousands Baht			
	Consolidated financial statements		Separate financial statements	
	2018	2017	2018	2017
Revenues from sales				
Fire Inspector Co., Ltd.	-	-	20,192	9,927
Safety Factory Co., Ltd.	376	715	376	715
Revenues from services				
Fire Inspector Co., Ltd.	-	-	2,725	1,973
Dividend income				
Fire Inspector Co., Ltd.	-	-	7,790	18,978
Interest income				
Fire Inspector Co., Ltd.	-	-	583	782
Other income				
Fire Inspector Co., Ltd.	-	-	293	248
Safety Factory Co., Ltd.	207	222	207	222
S.I. Firetrade Co., Ltd.	596	691	596	691
Econlite Manufacturing (Thailand) Co., Ltd.	111	108	111	108
Purchases of goods				
Fire Inspector Co., Ltd.	-	-	6,541	5,028
Safety Factory Co., Ltd.	401	1,078	401	1,078
S.I. Firetrade Co., Ltd.	14	12	14	-
Econlite Manufacturing (Thailand) Co., Ltd.	45	28	45	28
Other services				
Fire Inspector Co., Ltd.	-	-	-	200

The balances with related parties as at 30 September 2018 and 31 December 2017 were as follows:

	Thousands Baht			
	Consolidated financial statements		Separate financial statements	
	2018	2017	2018	2017
Trade and other receivables				
Fire Inspector Co., Ltd.	-	-	4,832	4,194
Safety Factory Co., Ltd.	163	414	163	414
S.I. Firetrade Co., Ltd.	3	5	3	5
Econlite Manufacturing (Thailand) Co., Ltd.	-	12	-	12
Investments in subsidiary (see Note 7)	-	-	4,849	4,849
Trade and other payables				
Safety Factory Co., Ltd.	105	161	105	161
S.I. Firetrade Co., Ltd.	-	3	-	2
Econlite Manufacturing (Thailand) Co., Ltd.	19	7	19	3
Other non-current liabilities				
Fire Inspector Co., Ltd.	-	-	22	22
S.I. Firetrade Co., Ltd.	100	100	100	100
Safety Factory Co., Ltd.	26	26	26	26

#### Short-term loans to related party

Short-term loans to related party as at 30 September 2018 and 31 December 2017 consisted of:

	Thousands Baht	
	Separate financial statements	
	2018	2017
Fire Inspector Co., Ltd.	20,000	19,000

Movements of short-term loans to related party for the nine-month periods ended 30 September 2018 and 2017 were as follows:

	Thousands Baht	
	Separate financial statements	
	2018	2017
Beginning balance	19,000	24,800
Increase	5,000	9,000
Decrease	(4,000)	(11,800)
Ending balance	20,000	22,000

The Company has short-term loans to related party by issuing promissory notes, due at call, with the interest rate of 4% per annum, without collateral.

#### Key management personnel compensation

Key management personnel compensation for the nine-month periods ended 30 September 2018 and 2017 consisted of:

	Thousands Baht			
	Consolidated financial statements		Separate financial statements	
	2018	2017	2018	2017
Short-term benefits	13,998	10,922	12,684	9,683
Post-employment benefits	991	857	901	781
Total	14,989	11,779	13,585	10,464

#### Company relationship

Company	Country	Relation	Type of relation
Fire Inspector Co., Ltd.	Thailand	Subsidiary	Direct shareholding
Safety Factory Co., Ltd.	Thailand	Related company	Common shareholders and directors
S.I. Firetrade Co., Ltd.	Thailand	Related company	Common shareholders and directors
Econlite Manufacturing (Thailand) Co., Ltd.	Thailand	Related company	Common shareholders and directors

## Bases of measurement for intercompany revenues and expenses

	Pricing Policy
Purchases and sales of goods	Cost plus mutually agreed margin
Revenues from services - other services	Cost plus mutually agreed margin
Dividend income	As declared
Interest income	Negotiated agreement
Other income	Negotiated agreement

## 5. TRADE AND OTHER RECEIVABLES

Trade and other receivables as at 30 September 2018 and 31 December 2017 consisted of:

	Thousands Baht			
	Consolidated financial statements		Separate financial statements	
	2018	2017	2018	2017
Trade accounts receivable	211,773	217,817	194,869	204,412
<b>Less</b> Allowance for doubtful accounts	(10,385)	(4,117)	(10,345)	(4,057)
Trade accounts receivable - net	201,388	213,700	184,524	200,355
Other receivables				
Retention receivables	11,215	8,220	9,246	6,106
Prepaid expenses	12,903	5,927	12,482	5,816
Others	1,507	1,163	1,463	516
<b>Total</b>	<b>227,013</b>	<b>229,010</b>	<b>207,715</b>	<b>212,793</b>

Movements of allowance for doubtful accounts for the nine-month period ended 30 September 2018 were as follows:

	Thousands Baht	
	Consolidated	Separate
	financial statements	financial statements
Beginning balance	4,117	4,057
<b>Add</b> Doubtful accounts	7,319	7,319
<b>Less</b> Reversal doubtful accounts	(1,051)	(1,031)
<b>Ending balance</b>	<b>10,385</b>	<b>10,345</b>

As at 30 September 2018 and 31 December 2017, the Group had outstanding balances of trade accounts receivable aged by number of months as follows:

	Thousands Baht			
	Consolidated financial statements		Separate financial statements	
	2018	2017	2018	2017
<b>Trade accounts receivable</b>				
Current	136,788	111,589	131,490	105,361
Overdue				
Less than or equal to 3 months	57,420	88,955	46,433	82,057
Over 3 months up to 6 months	3,169	8,806	2,590	8,806
Over 6 months up to 12 months	7,047	5,344	7,047	5,125
Over 12 months	7,349	3,123	7,309	3,063
Total	211,773	217,817	194,869	204,412

## 6. INVENTORIES

Inventories as at 30 September 2018 and 31 December 2017 consisted of:

	Thousands Baht			
	Consolidated financial statements		Separate financial statements	
	2018	2017	2018	2017
Finished goods	201,784	218,958	191,349	211,856
Goods in transit	42,090	38,906	36,432	32,924
Total	243,874	257,864	227,781	244,780
<b>Less Allowance for obsolete and</b>				
slow - moving inventories	(5,546)	(6,477)	(5,083)	(6,000)
Inventories - net	238,328	251,387	222,698	238,780

Movements of allowance for obsolete and slow - moving inventories for the nine-month period ended 30 September 2018 were as follows:

	Thousands Baht	
	Consolidated	Separate
	financial statements	financial statements
Beginning balance	6,477	6,000
<b>Less Reversal loss on devaluation of obsolete and slow - moving inventories</b>	(931)	(917)
Ending balance	5,546	5,083



## 7. INVESTMENTS IN SUBSIDIARY

Investments in subsidiary stated by using the cost method as at 30 September 2018 and 31 December 2017 consisted of:

	Thousands Baht		Percentage of		Thousands Baht		Thousands Baht	
	Paid-up share capital		holding (%)		Cost		Dividend income *	
	2018	2017	2018	2017	2018	2017	2018	2017
Fire Inspector Co., Ltd.	2,000	2,000	99.99	99.99	4,849	4,849	7,790	18,978

\* For the nine-month periods ended 30 September 2018 and 2017

## 8. EQUIPMENT

Movements of equipment for the nine-month period ended 30 September 2018 were as follows:

	Thousands Baht	
	Consolidated	Separate
	financial statements	financial statements
Net book value as at 1 January 2018	11,418	11,329
Purchases/transfer in - cost	698	659
Disposals/write-off/transfer out - net book value	(1,125)	(1,125)
Depreciation for the period	(2,048)	(2,022)
Net book value as at 30 September 2018	8,943	8,841

## 9. TRADE AND OTHER PAYABLES

Trade and other payables as at 30 September 2018 and 31 December 2017 consisted of:

	Thousands Baht			
	Consolidated financial statements		Separate financial statements	
	2018	2017	2018	2017
Trade accounts payable	90,514	88,008	82,073	80,670
Other payables				
Accrued expenses	18,815	10,919	17,425	10,180
Advance received	9,199	9,194	8,350	9,099
Others	1,122	229	1,122	229
Total	119,650	108,350	108,970	100,178

## 10. OTHER CURRENT LIABILITIES

Other current liabilities as at 30 September 2018 and 31 December 2017 consisted of:

	Thousands Baht			
	Consolidated financial statements		Separate financial statements	
	2018	2017	2018	2017
Revenue Department payable	8,942	8,375	8,737	7,029
Others	53	146	53	146
Total	8,995	8,521	8,790	7,175

## 11. DIVIDEND PAYMENT

### The Company

The Ordinary General Meeting of Shareholders held on 4 April 2018, a resolution was passed authorizing the payment of dividend at the rate of Baht 0.126 per share, in the total amount of Baht 75.60 million.

The Board of Directors' Meeting held on 10 August 2018, a resolution was passed authorizing the payment of dividend at the rate of Baht 0.09 per share, in the total amount of Baht 54 million.

### The Subsidiary

The Ordinary General Meeting of Shareholders held on 18 April 2018, a resolution was passed authorizing the payment of dividend at the rate of Baht 245.45 per share, in the total amount of Baht 4.91 million.

The Board of Directors' Meeting held on 5 June 2018, a resolution was passed authorizing the payment of dividend at the rate of Baht 144.10 per share, in the total amount of Baht 2.88 million.

## 12. INCOME TAX

The Group recognized tax expense for the nine-month periods ended 30 September 2018 and 2017 based on the best estimate of the weighted average annual income tax rate expected for the full financial year. Amounts accrued for income tax expense in one interim period may have to be adjusted in a subsequent interim period of that financial year if the estimate of the annual income tax rate changes.

Tax expense for the nine-month periods ended 30 September 2018 and 2017 as follows:

	Thousands Baht			
	Consolidated financial statements		Separate financial statements	
	2018	2017	2018	2017
<b>Current tax</b>				
Current period	23,514	18,083	18,792	16,109
<b>Deferred tax</b>				
Movements in temporary differences	(1,086)	404	(1,074)	203
Tax expense	22,428	18,487	17,718	16,312

### 13. SEGMENT INFORMATION

Operating segment information is reported in a manner consistent manner 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 the directors of the Company.

The Group operated in two main business segments, namely sale of fire protection equipment and systems and project works and services (design, installation, repair and maintenance of fire protection systems). Their operations are in a single geographic area primarily in Thailand which consider, basing on the types of activities, the operating income and expenses for the nine-month periods ended 30 September 2018 and 2017 were as follows:

	Thousands Baht					
	From sales		From project work and services		Total	
	2018	2017	2018	2017	2018	2017
Revenues	480,253	503,836	239,931	221,887	720,184	725,723
Cost	(333,928)	(367,417)	(184,321)	(169,638)	(518,249)	(537,055)
Gross profit	146,325	136,419	55,610	52,249	201,935	188,668

### 14. COMMITMENTS AND CONTINGENT LIABILITIES

As at 30 September 2018 the Group had commitments as follows:

#### The Company

14.1 Letters of guarantee issued by banks for goods and installation of system service agreement in the amount of Baht 31.56 million.

14.2 Payment under office and warehouse rental agreements with other companies as follows:

Period	Rental and service (Thousands Baht)
1 year	3,989
2 - 5 years	164

14.3 Payment under service agreements in the amount of Baht 31.21 million.

#### **The Subsidiary**

14.4 Letters of guarantee issued by banks for goods and installation of system service agreement in the amount of Baht 4.97 million.

14.5 Payment under service agreements in the amount of Baht 0.60 million.

### **15. RECLASSIFICATION**

The Group has reclassified certain accounts in the statements of financial position as at 31 December 2017 and the statements of comprehensive income for the three-month and nine-month periods ended 30 September 2017 to conform with the presentation of the financial statements of this period which consisted of:

	Thousands Baht					
	Consolidated financial statements			Separate financial statements		
	As previously		After	As previously		After
	reported	Reclassify	reclassify	reported	Reclassify	reclassify
<b>Statements of financial position</b>						
Trade and other receivables	228,995	15	229,010	212,713	80	212,793
Short-term loans to related party	-	-	-	19,065	(65)	19,000
Other current assets	482	302	784	471	303	774
Other non-current assets	1,965	(317)	1,648	1,966	(318)	1,648
Other current liabilities	11,390	(2,869)	8,521	9,766	(2,591)	7,175
Other non-current liabilities	-	2,869	2,869	-	2,591	2,591
<b>Statements of comprehensive income</b>						
<b>For the three-month period</b>						
Gain on exchange rate	998	(998)	-	889	(889)	-
Other income	913	998	1,911	1,218	889	2,107
<b>For the nine-month period</b>						
Gain on exchange rate	3,409	(3,409)	-	3,065	(3,065)	-
Other income	3,425	3,409	6,834	3,549	3,065	6,614

### **16. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS**

These interim financial statements have been approved for issue by the Company's Board of Directors on 13 November 2018.