

**FIRETRADE ENGINEERING PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY**  
**NOTES TO THE INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2019 (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 2018) to provide information additional to that included in the financial statements for the year ended 31 December 2018. 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 2018.

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 2018.

## 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 2018 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 (%)		
			31 March		31 December
			2019	2018	2018
Fire Inspector Co., Ltd.	Thailand	Sales, installation and provide service of fire protection equipment and systems.	99.99	99.99	99.99

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

#### New and revised TFRS that became effective in the current period

During the period 2019, the Group has adopted revised TFRS (revised 2018) and new TFRS which are effective for the accounting period beginning on or after 1 January 2019. These TFRS 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 TFRS does not have any significant impact on the Group’s financial statements. However, the new standard involves changes to key principles, which is summarized below:

#### TFRS 15 Revenue from Contracts with Customers

TFRS 15 supersedes the following TAS together with related Thai Interpretations (TSIC) and Thai Financial Reporting Interpretations (TFRIC):

TAS/TSIC/TFRIC	Topic
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

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 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 cumulative effect of the change is described in Note 4.

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

The Federation of Accounting Professions has issued Notification, mandating the use of new TFRS 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 related to financial instruments**

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

<b>TAS/TFRS/TFRIC</b>	<b>Topic</b>
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.

#### **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 management of the Group is assessing the impacts of this TFRS on the financial statements for the period in which it is 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 2018, except for the change in the accounting policies due to the adoption of TFRS 15, Revenue from Contracts with Customers (see Notes 2 and 4).

### 4. CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING POLICIES DUE TO THE ADOPTION OF NEW FINANCIAL REPORTING STANDARD

As described in Notes 2 and 3, during the current period, 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:

	Thousands Baht	
	Consolidated	Separate
	financial statements	financial statements
<b>Impact on retained earnings as at 1 January 2019</b>		
Unearned service contract revenue	(19,440)	(16,110)
Related tax expense	3,888	3,222
<b>Total</b>	<b>(15,552)</b>	<b>(12,888)</b>

The amounts of adjustments affecting the statements of financial position as at 31 March 2019 and the statements of comprehensive income for the three-month period ended 31 March 2019 are summarised below.

	Thousands Baht		
	Consolidated financial statements		
	Previous accounting		
	policy	Increase (decrease)	TFRS 15
<b>Statement of financial position</b>			
<b>Assets</b>			
Trade and other receivables	253,134	(2,477)	250,657
Unbilled receivables	91,303	(1,279)	90,024
Deferred tax assets	5,120	4,050	9,170
<b>Liabilities</b>			
Trade and other payables	146,857	16,494	163,351
<b>Shareholders' equity</b>			
Retained earnings	38,056	(16,200)	21,856

	Thousands Baht		
	Separate financial statements		
	Previous accounting		
	policy	Increase (decrease)	TFRS 15
<b>Statement of financial position</b>			
<b>Assets</b>			
Trade and other receivables	231,641	(473)	231,168
Unbilled receivables	86,568	(1,236)	85,332
Deferred tax assets	4,895	3,434	8,329
<b>Liabilities</b>			
Trade and other payables	139,890	15,462	155,352
<b>Shareholders' equity</b>			
Retained earnings	34,034	(13,737)	20,297

	Thousands Baht		
	Consolidated financial statements		
	Previous accounting		
	policy	Increase (decrease)	TFRS 15
<b>Statement of comprehensive income</b>			
<b>Profit or loss:</b>			
Revenues from sales and services	249,411	(810)	248,601
Tax expense	7,670	(162)	7,508
<b>Earnings per share:</b>			
Basic earnings per share (Baht)	0.05	-	0.05

	Thousands Baht		
	Separate financial statements		
	Previous accounting		
	policy	Increase (decrease)	TFRS 15
<b>Statement of comprehensive income</b>			
<b>Profit or loss:</b>			
Revenues from sales and services	243,808	(1,061)	242,747
Tax expense	6,934	(212)	6,722
<b>Earnings per share:</b>			
Basic earnings per share (Baht)	0.05	-	0.05

The nature of these adjustments is described below:

Revenue from maintenance of fire protection system – The Group has determined that maintenance of fire protection system should be recognised as separate performance obligation from the revenue from project work, which should be recognised as revenue when services are rendered.

## 5. 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 three-month periods ended 31 March 2019 and 2018 were as follows:

	Thousands Baht			
	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
Revenues from sales				
Subsidiary	-	-	3,770	7,819
Related companies	348	214	348	214
Revenues from services				
Subsidiary	-	-	687	778
Interest income				
Subsidiary	-	-	197	187
Other income				
Subsidiary	-	-	87	82
Related companies	308	304	308	304
Purchases of goods				
Subsidiary	-	-	3,746	2,065
Related companies	168	78	168	75
Other services				
Related companies	78	14	78	14

## Key management personnel compensation

Key management personnel compensation for the three-month periods ended 31 March 2019 and 2018 consisted of:

	Thousands Baht			
	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
Short-term benefits	5,038	4,422	4,624	4,034
Post-employment benefits	467	374	415	344
Total	5,505	4,796	5,039	4,378

The balances with related parties as at 31 March 2019 and 31 December 2018 were as follows:

	Thousands Baht			
	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
Trade and other receivables				
Fire Inspector Co., Ltd.	-	-	3,996	15,406
Safety Factory Co., Ltd.	378	222	378	222
S.I. Firetrade Co., Ltd.	4	107	4	107
Investments in subsidiary (see Note 8)	-	-	12,849	4,849
Trade and other payables				
Fire Inspector Co., Ltd.	-	-	368	47
Safety Factory Co., Ltd.	207	292	207	292
S.I. Firetrade Co., Ltd.	1	-	-	-
Econlite Manufacturing (Thailand) Co., Ltd.	12	13	12	13
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 31 March 2019 and 31 December 2018 consisted of:

	Thousands Baht	
	Separate financial statements	
	2019	2018
	20,000	20,000
Fire Inspector Co., Ltd.		

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.

### Company relationship

Company	Country	Type of relation
Fire Inspector Co., Ltd.	Thailand	Subsidiary
Safety Factory Co., Ltd.	Thailand	Common shareholders and directors
S.I. Firetrade Co., Ltd.	Thailand	Common shareholders and directors
Econlite Manufacturing (Thailand) Co., Ltd.	Thailand	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
Interest income	Negotiated agreement
Other income	Negotiated agreement

## 6. TRADE AND OTHER RECEIVABLES

Trade and other receivables as at 31 March 2019 and 31 December 2018 consisted of:

	Thousands Baht			
	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
Trade accounts receivable	246,050	255,382	226,605	243,477
<b>Less</b> Allowance for doubtful accounts	(8,786)	(8,752)	(8,746)	(8,713)
Trade accounts receivable - net	237,264	246,630	217,859	234,764
Other receivables				
Prepaid expenses	12,013	8,375	11,865	8,146
Others	1,380	661	1,444	798
Total	250,657	255,666	231,168	243,708
For the three-month period ended 31 March				
Doubtful accounts	34	807	34	807

As at 31 March 2019 and 31 December 2018, the Group had outstanding balances of trade accounts receivable aged by number of months as follows:

	Thousands Baht			
	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
<b>Trade accounts receivable</b>				
Current	128,000	163,601	126,341	142,069
Overdue				
Less than or equal to 3 months	101,390	76,175	83,660	85,842
Over 3 months up to 6 months	4,484	4,236	4,469	4,236
Over 6 months up to 12 months	3,350	2,782	3,349	2,782
Over 12 months	8,826	8,588	8,786	8,548
Total	246,050	255,382	226,605	243,477

## 7. INVENTORIES

Inventories as at 31 March 2019 and 31 December 2018 consisted of:

	Thousands Baht			
	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
Finished goods	228,525	236,321	216,514	223,194
Goods in transit	48,732	34,341	48,732	31,554
Total	277,257	270,662	265,246	254,748
<b>Less</b> Allowance for obsolete and				
slow - moving inventories	(6,140)	(5,779)	(5,568)	(5,199)
Inventories - net	271,117	264,883	259,678	249,549
For the three-month period ended 31 March				
Loss on devaluation of obsolete and				
slow - moving inventories (reversal)	361	(818)	369	(797)

## 8. INVESTMENTS IN SUBSIDIARY

Investments in subsidiary stated by using the cost method as at 31 March 2019 and 31 December 2018 consisted of:

	Thousands Baht		Percentage of		Thousands Baht	
	Paid-up share capital		holding (%)		Cost	
	2019	2018	2019	2018	2019	2018
Fire Inspector Co., Ltd.	10,000	2,000	99.99	99.99	12,849	4,849

Fire Inspector Co., Ltd. has called for paid-up capital from the capital increase by its Extraordinary General Meeting of Shareholders held on 21 February 2019 at 80,000 shares, Baht 100 per share, totalling Baht 8 million, of which fully received.

## 9. EQUIPMENT

Movements of equipment for the three-month period ended 31 March 2019 were as follows:

	Thousands Baht	
	Consolidated	Separate
	financial statements	financial statements
Net book value as at 1 January 2019	9,148	9,056
Purchases/transfer in - cost	335	335
Disposals/transfer out - net book value	(1)	(1)
Depreciation for the period	(653)	(643)
Net book value as at 31 March 2019	8,829	8,747

## 10. TRADE AND OTHER PAYABLES

Trade and other payables as at 31 March 2019 and 31 December 2018 consisted of:

	Thousands Baht			
	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
Trade accounts payable	115,887	108,917	112,219	105,538
Other payables				
Accrued expenses	14,972	12,547	13,990	11,440
Advance received	29,617	13,755	26,342	12,677
Others	2,875	1,866	2,801	1,792
Total	163,351	137,085	155,352	131,447

## 11. OTHER CURRENT LIABILITIES

Other current liabilities as at 31 March 2019 and 31 December 2018 consisted of:

	Thousands Baht			
	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
Revenue Department payable	3,644	5,610	3,430	5,055
Accrued dividend	66,025	26	66,025	26
Total	69,669	5,636	69,455	5,081

## 12. DIVIDEND PAYMENT

### The Company

The Ordinary General Meeting of Shareholders held on 28 March 2019, a resolution was passed authorizing the payment of dividend at the rate of Baht 0.11 per share, in the total amount of Baht 66 million.

## 13. INCOME TAX

The Group recognized tax expense for the three-month periods ended 31 March 2019 and 2018 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 three-month periods ended 31 March 2019 and 2018 as follows:

	Thousands Baht			
	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
<b>Current tax</b>				
Current period	7,893	4,378	7,151	3,658
<b>Deferred tax</b>				
Movements in temporary differences	(385)	(127)	(429)	(125)
Tax expense	7,508	4,251	6,722	3,533

#### 14. 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 sales 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 three-month periods ended 31 March 2019 and 2018 were as follows:

	Thousands Baht					
	From sales		From project works and services		Total	
	2019	2018	2019	2018	2019	2018
Revenues	167,643	153,357	80,958	67,180	248,601	220,537
Cost	(118,217)	(112,990)	(64,612)	(60,792)	(182,829)	(173,782)
Gross profit	49,426	40,367	16,346	6,388	65,772	46,755

#### 15. COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 March 2019 the Group had commitments as follows:

##### The Company

15.1 Letters of guarantee issued by banks for goods and installation of system service agreement in the amount of Baht 34.24 million.

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

Period	Rental and service (Thousands Baht)
1 year	3,567
2 - 5 years	361

15.3 Payment under service agreements in the amount of Baht 23.23 million.

15.4 Payment under agreement to buy and to sell land in the amount of Baht 106.88 million.

##### The Subsidiary

15.5 Letters of guarantee issued by banks for goods and installation of system service agreement in the amount of Baht 3.13 million.

15.6 Payment under service agreements in the amount of Baht 0.64 million.

## **16. EVENT AFTER THE REPORTING PERIOD**

Amendments to the law relating to the legal severance pay rates

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 post-employment benefit liabilities of Baht 2.98 million in the consolidated financial statements and of Baht 2.87 million in the separate financial statements. The Group will reflect the effect of the change by recognising past service costs as expenses in the profit or loss for the period in which the law is effective.

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

These interim financial statements have been approved for issue by the Company's Board of Directors on 10 May 2019.