

**FIRETRADE ENGINEERING PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY**  
**NOTES TO THE INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020 (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.

On 27 April 2020, the Company changed the location of its office from 21/57-58 Soi Soonvijai Rama 9 Road, Bangkok Sub-district, Huaykwang District, Bangkok to 1198/5 Rama 9 Road, Phattanakan Sub-district, Suan Luang 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 to provide information additional to that included in the financial statements for the year ended 31 December 2019. 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 2019.

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 2019.

## 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 2019 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
			2020	2019	2019
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.

### Coronavirus disease 2019 pandemic

The Coronavirus disease 2019 pandemic is continuing to evolve, resulting in an economic slowdown and adversely impacting most businesses and industries. This situation may bring uncertainties and have an impact on the environment in which the Group operates.

However, the Group’s management has continuously monitored ongoing developments and assessed the financial impact in respect of the valuation of assets, provisions and contingent liabilities, and has used estimates and judgement in respect of various issues as the situation has evolved.

### Changes in application of new and revised TFRS

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

During the period 2020, the Group has adopted revised TFRS and new TFRS which are effective for the accounting period beginning on or after 1 January 2020. 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 material impact on the Group’s financial statements. However, the new standards involve changes to key principles, which are summarized belows:

## **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.

The effects of the adoption of these accounting standards are described belows:

- 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 Group's management has considered that the recognition of credit losses does not have any material impact on the adjustment of retained earnings as at 1 January 2020.

### **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. Lessors will continue to classify leases as either operating or finance leases using similar principles to those used under TAS 17.

These TFRS do not have any material impact on the Group's financial statements.

### **Accounting Treatment Guidance on "Temporary relief measures on accounting alternatives in response to the impact of the COVID-19 situation"**

The Federation of Accounting Professions announced Accounting Treatment Guidance on "Temporary relief measures on accounting alternatives in response to the impact of the COVID-19 situation". Its objectives are to alleviate some of the impact of applying certain financial reporting standards, and to provide clarification about accounting treatments during the period of uncertainty relating to this situation.

On 22 April 2020, the Accounting Treatment Guidance was announced in the Royal Gazette and it is effective for the financial statements prepared for reporting periods ending between 1 January 2020 and 31 December 2020.

The Group has elected to apply the following temporary relief measures on accounting alternatives:

- Not to consider forward-looking information for measurement of expected credit loss with simplified approach.

### **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 2019, except for adopted these new financial reporting standards comprises:

#### **Impairment of financial assets**

The Group recognises an allowance for expected credit losses on its financial assets which measured at amortised cost, without requiring a credit - impaired event to have occurred prior to the recognition. The Group accounts for changes in expected credit losses in stages, with differing methods of determining allowance for credit losses and the effective interest rate applied at each stage. An exception from this approach is that for trade receivables that do not contain a significant financing component, the Group applies a simplified approach to determine the lifetime expected credit losses.

### **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 three-month periods ended 31 March 2020 and 2019 were as follows:

	Thousand Baht			
	Consolidated financial statements		Separate financial statements	
	2020	2019	2020	2019
Revenues from sales				
Subsidiary	-	-	4,125	3,770
Related companies	330	348	330	348
Revenues from services				
Subsidiary	-	-	938	687
Interest income				
Subsidiary	-	-	100	197
Other income				
Subsidiary	-	-	175	87
Related companies	504	308	504	308
Purchases of goods				
Subsidiary	-	-	1,881	3,746
Related companies	214	168	197	168
Other services				
Related companies	181	78	152	78

#### **Key management personnel compensation**

Key management personnel compensation for the three-month periods ended 31 March 2020 and 2019 consisted of:

	Thousand Baht			
	Consolidated financial statements		Separate financial statements	
	2020	2019	2020	2019
Short-term benefits	5,496	5,038	5,070	4,624
Post-employment benefits	571	467	506	415
<b>Total</b>	<b>6,067</b>	<b>5,505</b>	<b>5,576</b>	<b>5,039</b>

The balances with related parties as at 31 March 2020 and 31 December 2019 were as follows

	Thousand Baht			
	Consolidated financial statements		Separate financial statements	
	2020	2019	2020	2019
Trade and other receivables				
Fire Inspector Co., Ltd.	-	-	3,943	5,159
Safety Factory Co., Ltd.	320	426	320	426
S.I. Firetrade Co., Ltd.	5	50	5	50
Safety Online Co., Ltd.	14	31	14	31
Investments in subsidiary (see Note 7)	-	-	12,849	12,849
Other non-current assets				
Safety Factory Co., Ltd.	1,475	-	1,475	-
Trade and other payables				
Fire Inspector Co., Ltd.	-	-	2,013	69
Econlite Manufacturing (Thailand) Co., Ltd.	37	58	26	48
Safety Online Co., Ltd.	234	193	234	193
Other non-current liabilities				
Fire Inspector Co., Ltd.	-	-	22	22
Safety Factory Co., Ltd.	26	26	26	26
S.I. Firetrade Co., Ltd.	100	100	100	100

#### Short-term loans to related party

Short-term loans to related party as at 31 March 2020 and 31 December 2019 consisted of:

	Thousand Baht	
	Separate financial statements	
	2020	2019
Fire Inspector Co., Ltd.	10,000	10,000

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.

### 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
Safety Online 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

## 5. TRADE AND OTHER RECEIVABLES

Trade and other receivables as at 31 March 2020 and 31 December 2019 consisted of:

	Thousand Baht			
	Consolidated financial statements		Separate financial statements	
	2020	2019	2020	2019
Trade accounts receivable	199,036	203,454	192,608	196,285
<b>Less</b> Allowance for impairment loss				
(2019: allowance for doubtful accounts)	(15,348)	(9,456)	(15,312)	(9,420)
Trade accounts receivable - net	183,688	193,998	177,296	186,865
Other receivables				
Prepaid expenses	12,915	8,333	12,554	7,820
Others	2,574	2,423	2,610	2,436
Total	199,177	204,754	192,460	197,121
For the three-month periods ended 31 March				
Impairment loss	5,892	34	5,892	34

As at 31 March 2020 and 31 December 2019, the Group had outstanding balances of trade accounts receivable aged by number of months as follows:

	Thousand Baht			
	Consolidated financial statements		Separate financial statements	
	2020	2019	2020	2019
<b>Trade accounts receivable</b>				
Current	108,322	114,938	104,487	116,424
Overdue				
Less than or equal to 3 months	49,511	58,318	48,746	50,123
Over 3 months up to 6 months	22,951	8,620	21,432	8,302
Over 6 months up to 12 months	5,703	12,124	5,430	12,017
Over 12 months	12,549	9,454	12,513	9,419
Total	199,036	203,454	192,608	196,285

## 6. INVENTORIES

Inventories as at 31 March 2020 and 31 December 2019 consisted of:

	Thousand Baht			
	Consolidated financial statements		Separate financial statements	
	2020	2019	2020	2019
Finished goods	283,530	300,406	274,949	291,650
Goods in transit	22,745	20,138	17,229	18,468
Total	306,275	320,544	292,178	310,118
<b>Less Allowance for devaluation of inventories</b>	(10,314)	(9,266)	(9,795)	(8,747)
Inventories - net	295,961	311,278	282,383	301,371

For the three-month periods ended 31 March

Loss on devaluation of inventories	1,048	361	1,048	369
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## 7. INVESTMENTS IN SUBSIDIARY

Investments in subsidiary stated by using the cost method as at 31 March 2020 and 31 December 2019 consisted of:

	Thousand Baht		Percentage of		Thousand Baht	
	Paid-up share capital		holding (%)		Cost	
	2020	2019	2020	2019	2020	2019
Fire Inspector Co., Ltd.	10,000	10,000	99.99	99.99	12,849	12,849

## 8. LAND AND EQUIPMENT

Movements of land and equipment for the three-month period ended 31 March 2020 were as follows:

	Thousand Baht	
	Consolidated	Separate
	financial statements	financial statements
Net book value as at 1 January 2020	137,565	137,474
Purchases/transfer in - cost	12,325	12,325
Depreciation for the period	(595)	(586)
Net book value as at 31 March 2020	149,295	149,213

## 9. TRADE AND OTHER PAYABLES

Trade and other payables as at 31 March 2020 and 31 December 2019 consisted of:

	Thousand Baht			
	Consolidated financial statements		Separate financial statements	
	2020	2019	2020	2019
Trade accounts payable	94,251	102,259	89,308	99,394
Other payables				
Accrued expenses	29,143	21,134	28,308	20,375
Dividend payable	54,046	46	54,046	46
Retention payable	4,684	4,193	4,684	4,193
Others	3,998	5,727	3,717	5,707
Total	186,122	133,359	180,063	129,715

## 10. DIVIDEND PAYMENT

### The Company

The Board of Directors' Meeting held on 1 March 2020, a resolution was passed to propose for approval by the Ordinary General Meeting of Shareholders, to pay dividends at the rate of Baht 0.09 per share, in the total amount of Baht 54 million. Subsequently, the Board of Directors' Meeting held on 30 March 2020, a resolution was passed to postpone the Ordinary General Meeting of Shareholders for the year 2020 indefinitely, since the Company was unable to arrange the Ordinary General Meeting of Shareholders according to the Coronavirus disease 2019 pandemic and a resolution was passed to pay the interim dividend at the rate of Baht 0.09 per share, in the total amount of Baht 54 million, instead of the annual dividend as the Board will propose to the Ordinary General Meeting of Shareholders for approval.

## 11. INCOME TAX

The Group recognized tax expense for the three-month periods ended 31 March 2020 and 2019 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 2020 and 2019 as follows:

	Thousand Baht			
	Consolidated financial statements		Separate financial statements	
	2020	2019	2020	2019
<b>Current tax</b>				
Current period	4,165	7,893	3,590	7,151
<b>Deferred tax</b>				
Movements in temporary differences	(1,252)	(385)	(1,284)	(429)
Tax expense	2,913	7,508	2,306	6,722

## 12. SEGMENT INFORMATION

Operating segment information is reported in a manner consistent 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 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 cost for the three-month periods ended 31 March 2020 and 2019 were as follows:

	Thousand Baht					
	From sales		From project works and services		Total	
	2020	2019	2020	2019	2020	2019
Revenues	156,577	167,643	68,442	80,958	225,019	248,601
Cost	(108,487)	(118,217)	(59,314)	(64,612)	(167,801)	(182,829)
Gross profit	48,090	49,426	9,128	16,346	57,218	65,772

## 13. FAIR VALUE OF FINANCIAL INSTRUMENTS

As at 31 March 2020, the carrying value and fair value of financial assets were as follows:

	Thousand Baht	
	Consolidated and Separate financial statements	
	Fair value through profit or loss	Fair value
<b>Financial assets</b>		
Foreign currency forward bought contracts	699	699

Most of financial assets are cash and cash equivalents, trade and other receivables, contract assets and most of the financial liabilities are trade and other payables and contract liabilities which are short-term. For short-term loans to related party and deposits at financial institutions under pledge carrying interest approximate to the market rate. Their fair values are not expected to be materially different from the carrying amounts presented in the statements of financial position.

#### 14. FAIR VALUE HIERARCHY

As at 31 March 2020, the Group had the financial assets that were measured at fair value using different levels of inputs as follows:

	Thousand Baht			
	Consolidated and Separate financial statements			
	Level 1	Level 2	Level 3	Total
<b>Assets measured at fair value</b>				
Foreing currency forward bought contracts	-	699	-	699

#### Valuation techniques and inputs to Level 2 valuation

The fair value of derivatives has been determined by using a discounted future cash flow model and a valuation model technique. Most of the inputs used for the valuation are observable in the relevant market, such as spot rates of foreign currencies, yield curves of the respective currencies and interest rate yield curves.

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

#### 15. COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 March 2020 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 53.99 million.

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

Period	Rental and service (Thousand Baht)
1 year	10,012
2 - 5 years	17,935

15.3 Payment under service agreements in the amount of Baht 43.83 million.

##### The Subsidiary

15.4 Letters of guarantee issued by banks for goods and installation of system service agreement in the amount of Baht 0.63 million.

15.5 Payment under service agreements in the amount of Baht 0.99 million.

## 16. RECLASSIFICATION

The Group has reclassified certain accounts in the statements of financial position as at 31 December 2019 to conform with the presentation of the financial statements of this period which consisted of:

	Thousand Baht		
	Consolidated financial statements		
	Before		After
	Reclassification	Reclassification	Reclassification
Trade and other receivables	203,300	1,454	204,754
Contract assets	-	113,203	113,203
Unbilled receivables	112,997	(112,997)	-
Other current assets	2,703	(1,660)	1,043
Trade and other payables	166,340	(32,981)	133,359
Contract liabilities	-	36,951	36,951
Other current liabilities	3,970	(3,970)	-

	Thousand Baht		
	Consolidated financial statements		
	Before		After
	Reclassification	Reclassification	Reclassification
Trade and other receivables	195,759	1,362	197,121
Contract assets	-	101,423	101,423
Unbilled receivables	101,217	(101,217)	-
Other current assets	2,611	(1,568)	1,043
Trade and other payables	159,618	(29,903)	129,715
Contract liabilities	-	33,858	33,858
Other current liabilities	3,955	(3,955)	-

## 17. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

These interim financial statements have been approved for issue by the Company's Board of Directors on 15 May 2020.