

FIRETRADE ENGINEERING PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY
NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 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, Suanluang 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 (%)		
			30 September	31 December	
			2020	2019	2019
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.

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:

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.

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.

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.

Revised TFRS not yet effective

The Federation of Accounting Professions has issued Notification, mandating the use of revised TFRS which are effective for the financial statements for the period beginning on or after 1 January 2021. 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 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 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.

Leases

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised through initial measurement, initial direct costs incurred, and lease payments made at or before the commencement date, less any lease incentives received.

Unless the Group is reasonably certain that it will obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis from the commencement date of the lease to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of the lease payments to be made over the lease term, discounted by the interest rate the Group's incremental borrowing rate. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification or reassessment.

Short-term leases and Leases of low-value assets

Payments under leases that, have a lease term of 12 months or less at the commencement date, or are leases of low-value assets, are recognised as expenses on a straight-line basis over the lease term.

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 2020 and 2019 were as follows:

	Thousand Baht			
	Consolidated financial statements		Separate financial statements	
	2020	2019	2020	2019
Revenues from sales				
Subsidiary	-	-	10,340	12,998
Related companies	592	544	592	544
Revenues from services				
Subsidiary	-	-	2,884	2,462
Related companies	-	103	-	103
Dividend income				
Subsidiary	-	-	-	5,000
Interest income				
Subsidiary	-	-	233	594

	Thousand Baht			
	Consolidated financial statements		Separate financial statements	
	2020	2019	2020	2019
Other income				
Subsidiary	-	-	471	271
Related companies	1,058	927	1,058	927
Purchases of goods				
Subsidiary	-	-	2,163	3,857
Related companies	749	456	732	417
Cost of services				
Related companies	398	322	334	322
Service expenses				
Related companies	1,893	-	1,893	-
Interest expenses				
Related companies	1,022	-	1,022	-
Sales of equipment				
Subsidiary	-	-	-	6
Purchases of equipment				
Related companies	6	8	6	8

Key management personnel compensation

Key management personnel compensation for the nine-month periods ended 30 September 2020 and 2019 consisted of:

	Thousand Baht			
	Consolidated financial statements		Separate financial statements	
	2020	2019	2020	2019
Short-term benefits	16,539	15,084	15,227	13,725
Post-employment benefits	1,715	2,462	1,518	2,207
Total	18,254	17,546	16,745	15,932

The balances with related parties as at 30 September 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.	-	-	4,158	5,159
Safety Factory Co., Ltd.	-	426	-	426
S.I. Firetrade Co., Ltd.	4	50	4	50
Safety Online Co., Ltd.	212	31	212	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.	-	-	-	69
Econlite Manufacturing (Thailand) Co., Ltd.	36	58	28	48
Safety Online Co., Ltd.	111	193	111	193
Lease liabilities				
Safety Factory Co., Ltd.	59,338	-	59,338	-
Other non-current liabilities				
Fire Inspector Co., Ltd.	-	-	22	22
Safety Factory Co., Ltd.	-	26	-	26
S.I. Firetrade Co., Ltd.	-	100	-	100

Short-term loans to related party

Short-term loans to related party as at 30 September 2020 and 31 December 2019 consisted of:

	Thousand Baht	
	Separate financial statements	
	2020	2019
Fire Inspector Co., Ltd.	3,000	10,000

Movements of short-term loans to related party for the nine-month periods ended 30 September 2020 and 2019 were as follows:

	Thousand Baht	
	Separate financial statements	
	2020	2019
Beginning balance	10,000	20,000
Decrease	(7,000)	(6,000)
Ending balance	3,000	14,000

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.

Significant contracts

The Company entered into the building lease and service agreements with a related party from 27 April 2020 to 26 April 2023, with rental and service charge at the rate of Baht 0.74 million per month.

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
Purchases and sales of equipment	Cost plus mutually agreed margin
Revenues from services - cost of services	Cost plus mutually agreed margin
Dividend income	As declared
Interest income	Negotiated agreement
Other income	Negotiated agreement
Rental and service expenses	Negotiated agreement
Interest expenses	Interest rate of commercial bank

5. TRADE AND OTHER RECEIVABLES

Trade and other receivables as at 30 September 2020 and 31 December 2019 consisted of:

	Thousand Baht			
	Consolidated financial statements		Separate financial statements	
	2020	2019	2020	2019
Trade accounts receivable	235,744	203,454	225,951	196,285
Less Allowance for impairment loss	(18,180)	(9,456)	(18,041)	(9,420)
Trade accounts receivable - net	217,564	193,998	207,910	186,865
Other receivables				
Prepaid expenses	20,311	8,333	19,795	7,820
Others	4,137	2,423	3,809	2,436
Trade and other receivables - net	242,012	204,754	231,514	197,121
For the nine-month periods ended 30 September				
Impairment loss	8,724	1,011	8,621	1,011

As at 30 September 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
Trade accounts receivable				
Current	118,346	114,938	117,386	116,424
Overdue				
Less than or equal to 3 months	72,783	58,318	68,338	50,123
Over 3 months up to 6 months	22,323	8,620	20,336	8,302
Over 6 months up to 12 months	7,478	12,124	5,215	12,017
Over 12 months	14,814	9,454	14,676	9,419
Total	235,744	203,454	225,951	196,285

6. INVENTORIES

Inventories as at 30 September 2020 and 31 December 2019 consisted of:

	Thousand Baht			
	Consolidated financial statements		Separate financial statements	
	2020	2019	2020	2019
Finished goods	316,009	300,406	307,503	291,650
Goods in transit	41,399	20,138	31,367	18,468
Total	357,408	320,544	338,870	310,118
Less Allowance for devaluation of inventories	(11,284)	(9,266)	(10,773)	(8,747)
Inventories - net	346,124	311,278	328,097	301,371

For the nine-month periods ended 30 September

Loss on devaluation of inventories	2,018	3,529	2,026	3,582
------------------------------------	-------	-------	-------	-------

7. INVESTMENTS IN SUBSIDIARY

Investments in subsidiary stated by using the cost method as at 30 September 2020 and 31 December 2019 consisted of:

	Thousand Baht		Percentage of		Thousand Baht		Thousand Baht	
	Paid-up share capital		holding (%)		Cost		Dividend income *	
	2020	2019	2020	2019	2020	2019	2020	2019
Fire Inspector Co., Ltd.	10,000	10,000	99.99	99.99	12,849	12,849	-	5,000

* For the nine-month periods ended 30 September 2020 and 2019

8. PROPERTY, PLANT AND EQUIPMENT

Movements of property, plant and equipment for the nine-month period ended 30 September 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 - cost	59,083	59,080
Depreciation for the period	(2,431)	(2,407)
Net book value as at 30 September 2020	194,217	194,147

9. RIGHT-OF-USE ASSETS

The movements of right-of-use assets for the nine-month period ended 30 September 2020 were as follows:

	Thousand Baht
	Consolidated and Separate financial statements
Net book value as at 1 January 2020	-
Additions	60,208
Depreciation for the period	(1,258)
Net book value as at 30 September 2020	58,950

10. TRADE AND OTHER PAYABLES

Trade and other payables as at 30 September 2020 and 31 December 2019 consisted of:

	Thousand Baht			
	Consolidated financial statements		Separate financial statements	
	2020	2019	2020	2019
Trade accounts payable	132,277	102,259	123,017	99,394
Other payables				
Accrued expenses	21,246	12,129	20,254	11,370
Payables from purchases of assets	15,205	9,005	15,205	9,005
Retention payables	7,023	4,193	7,023	4,193
Others	3,880	5,773	3,637	5,753
Trade and other payables	179,631	133,359	169,136	129,715

11. LEASE LIABILITIES

The movements of lease liabilities for the nine-month period ended 30 September 2020 were presented belows:

	Thousand Baht
	Consolidated and Separate financial statements
As at 1 January 2020	-
Additions	60,208
Payments	(870)
As at 30 September 2020	59,338
Less Current portion	(2,030)
Lease liabilities	57,308

The followings were the amounts for the nine-month period ended 30 September 2020 recognised in profit or loss:

	Thousand Baht
	Consolidated and Separate financial statements
Depreciation of righth-of-use assets	1,258
Interest expense on lease liabilities	1,022
Expenses relating to lease of low value assets	2,649
Total	4,929

The Company has lease liabilities payments as at 30 September 2020 as follows:

	Thousand Baht		
	Consolidated and Separate financial statements		
Year	Present value	Deferred interest	Minimum lease payment
1	2,030	2,395	4,425
2 - 5	9,003	8,696	17,699
Over 5 years	48,305	15,853	64,158
Total	59,338	26,944	86,282

12. 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, 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 of Directors will propose to the Ordinary General Meeting of Shareholders for approval. The interim dividend was proposed to the Ordinary General Meeting of Shareholders, which was held on 24 September 2020, for acknowledgement.

The Board of Directors' Meeting held on 14 August 2020, a resolution was passed authorizing the payment of interim dividend at the rate of Baht 0.02 per share, in the total amount of Baht 12 million.

13. INCOME TAX

The Group recognized tax expense for the nine-month periods ended 30 September 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 nine-month periods ended 30 September 2020 and 2019 as follows:

	Thousand Baht			
	Consolidated financial statements		Separate financial statements	
	2020	2019	2020	2019
Current tax				
Current period	12,236	21,895	10,557	18,810
Deferred tax				
Movements in temporary differences	(2,672)	(2,561)	(2,634)	(2,583)
Tax expense	9,564	19,334	7,923	16,227

14. 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). Its 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 nine-month periods ended 30 September 2020 and 2019 were as follows:

	Thousand Baht					
	From sales		From project works and services		Total	
	2020	2019	2020	2019	2020	2019
Revenues	426,471	510,751	235,362	230,656	661,833	741,407
Cost	(301,425)	(362,339)	(197,432)	(184,461)	(498,857)	(546,800)
Gross profit	125,046	148,412	37,930	46,195	162,976	194,607

15. FAIR VALUE OF FINANCIAL INSTRUMENTS

As at 30 September 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
Financial assets		
Foreign currency forward bought contracts	468	468

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, deposits at financial institutions under pledge, lease liabilities and borrowings 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.

16. FAIR VALUE HIERARCHY

As at 30 September 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
Assets measured at fair value				
Foreing currency forward bought contracts	-	468	-	468

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.

17. COMMITMENTS AND CONTINGENT LIABILITIES

As at 30 September 2020 the Company and Subsidiary had commitments as follows:

The Company

17.1 Letters of guarantee issued by banks for goods and installation of system service agreement in the amount of Baht 60.46 million.

17.2 Payments under office service agreements with other companies and related company and payments under warehouse rental agreements with other companies as follows:

Period	Rental and service (Thousand Baht)
1 year	5,011
2 - 5 years	7,016

17.3 Payments under service agreements in the amount of Baht 95.44 million.

The Subsidiary

17.4 Letters of guarantee issued by banks for goods and installation of system service agreement in the amount of Baht 0.06 million.

17.5 Payments under service agreements in the amount of Baht 0.45 million.

18. 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		
	Separate 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)	129,751
Contract liabilities	-	33,858	33,858
Other current liabilities	3,955	(3,955)	-

19. 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 2020.