

FIRETRADE ENGINEERING PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY
NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2022 (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 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 No. 34, Interim Financial Reporting to provide information additional to that included in the financial statements for the year ended 31 December 2021. 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 2021.

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 2021.

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 2021 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
			2022	2021	2021
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 revised TFRS

Revised TFRS that became effective in the current period

During the period 2022, the Group has adopted revised TFRS which are effective for the accounting period beginning on or after 1 January 2022. 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 financial reporting standards does not have any significant impact on the Group’s financial statements.

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 2021.

Basic earnings per share

Basic earnings per share for the three-month periods ended 31 March 2022 and 2021 was calculated by dividing the profit for the periods by the weighted average number of ordinary shares outstanding during the periods, after adjusting the number of ordinary shares to reflect the impact of the stock dividend as discussed in Note 18. The prior period's basic earnings per share has been recalculated as if the stock dividend had been distributed at the beginning of the earliest period reported.

For the three-month periods ended 31 March 2022 and 2021

	Consolidated financial statements		Separate financial statements	
	2022	2021	2022	2021
Profit for the period (Thousand Baht)	6,738	12,478	3,393	9,343
Weighted average number of ordinary shares (Shares)				
Issued ordinary shares at 1 January	600,000,000	600,000,000	600,000,000	600,000,000
Effect of the stock dividend	60,000,000	60,000,000	60,000,000	60,000,000
Weighted average number of ordinary shares (Shares)	660,000,000	660,000,000	660,000,000	660,000,000
Basic earnings per share (Baht)	0.01	0.02	0.01	0.01

4. RELATED PARTY TRANSACTIONS

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 2022 and 2021 were as follows:

	Thousand Baht			
	Consolidated financial statements		Separate financial statements	
	2022	2021	2022	2021
Revenues from sales				
Subsidiary	-	-	4,936	4,776
Related companies	1	49	1	49
Revenues from services				
Subsidiary	-	-	1,214	1,054
Interest income				
Subsidiary	-	-	68	19

Thousand Baht				
	Consolidated financial statements		Separate financial statements	
	2022	2021	2022	2021
Other income				
Subsidiary	-	-	219	160
Related companies	519	291	519	291
Purchases of goods				
Subsidiary	-	-	632	2,186
Related companies	127	218	127	218
Cost of services				
Related companies	18	188	18	177
Service expenses				
Related companies	1,106	1,106	1,106	1,106
Interest expenses				
Related companies	580	601	580	601

Key management personnel compensation

Key management personnel compensation for the three-month periods ended 31 March 2022 and 2021 consisted of:

Thousand Baht				
	Consolidated financial statements		Separate financial statements	
	2022	2021	2022	2021
Short-term benefits	4,342	5,513	3,832	5,064
Post-employment benefits	561	642	487	575
Total	4,903	6,155	4,319	5,639

The balances with related parties as at 31 March 2022 and 31 December 2021 were as follows:

Thousand Baht				
	Consolidated financial statements		Separate financial statements	
	2022	2021	2022	2021
Trade and other receivables				
Fire Inspector Co., Ltd.	-	-	5,760	5,955
S.I. Firetrade Co., Ltd.	4	3	4	3
Safety Online Co., Ltd.	11	86	11	86
Econlite Manufacturing (Thailand) Co., Ltd.	8	-	8	-
Investments in subsidiary (see Note 7)	-	-	12,849	12,849
Other non-current assets				
Safety Factory Co., Ltd.	1,475	1,475	1,475	1,475

	Thousand Baht			
	Consolidated financial statements		Separate financial statements	
	2022	2021	2022	2021
Trade and other payables				
Fire Inspector Co., Ltd.	-	-	676	2,039
Safety Factory Co., Ltd.	2,353	2,360	2,353	2,360
Safety Online Co., Ltd.	147	79	147	79
Econlite Manufacturing (Thailand) Co., Ltd.	-	43	-	32
Lease liabilities				
Safety Factory Co., Ltd.	56,961	57,480	56,961	57,480
Other non-current liabilities				
Fire Inspector Co., Ltd.	-	-	22	22

Short-term loans to related party

Short-term loans to related party as at 31 March 2022 and 31 December 2021 consisted of:

	Thousand Baht	
	Separate financial statements	
	2022	2021
Fire Inspector Co., Ltd.	5,000	5,000

Movements of short-term loans to related party for the three-month periods ended 31 March 2022 and 2021 were as follows:

	Thousand Baht	
	Separate financial statements	
	2022	2021
Beginning balance	5,000	3,000
Decrease	-	(3,000)
Ending balance	5,000	-

The Company has short-term loans to related party by issuing promissory notes, due at call, with the interest rate of 5.5% 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
Safety Online 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 - sales of goods	Cost plus mutually agreed margin
Revenues from services - cost of services	Cost plus mutually agreed margin
Interest income - interest expenses	Interest rate of commercial bank
Other income	Negotiated agreement
Service expenses	Negotiated agreement
Guarantees for the Company's credit facilities by directors and directors' assets	No guarantee charge

5. TRADE AND OTHER RECEIVABLES

Trade and other receivables as at 31 March 2022 and 31 December 2021 consisted of:

	Thousand Baht			
	Consolidated financial statements		Separate financial statements	
	2022	2021	2022	2021
Trade accounts receivable	255,364	254,203	240,571	248,439
Less Allowance for expected credit losses	(41,674)	(28,270)	(41,478)	(28,066)
Trade accounts receivable - net	213,690	225,933	199,093	220,373
Other receivables				
Prepaid expenses	5,759	5,988	5,338	5,765
Others	5,188	6,105	5,190	5,811
Total	10,947	12,093	10,528	11,576
Less Allowance for expected credit losses	(3,390)	(3,390)	(3,390)	(3,390)
Other receivables - net	7,557	8,703	7,138	8,186
Trade and other receivable - net	221,247	234,636	206,231	228,559
For the three-month periods ended 31 March				
Expected credit losses	13,404	2,451	13,412	2,558

As at 31 March 2022 and 31 December 2021, the Group had outstanding balances of trade accounts receivable aged by number of months as follows:

	Thousand Baht			
	Consolidated financial statements		Separate financial statements	
	2022	2021	2022	2021
Trade accounts receivable				
Current	113,935	121,628	106,565	119,192
Overdue				
Less than or equal to 3 months	77,245	76,394	69,906	73,971
Over 3 months up to 6 months	20,769	16,639	20,770	15,960
Over 6 months up to 12 months	19,443	18,144	19,394	18,144
Over 12 months	23,972	21,398	23,936	21,172
Total	255,364	254,203	240,571	248,439

6. INVENTORIES

Inventories as at 31 March 2022 and 31 December 2021 consisted of:

	Thousand Baht			
	Consolidated financial statements		Separate financial statements	
	2022	2021	2022	2021
Finished goods	381,476	373,309	361,085	345,452
Goods in transit	56,311	30,664	52,647	30,211
Work in process	169	499	147	474
Total	437,956	404,472	413,879	376,137
Less Allowance for devaluation of inventories	(15,255)	(14,931)	(14,084)	(13,778)
Inventories - net	422,701	389,541	399,795	362,359

For the three-month periods ended 31 March

Loss on devaluation of inventories	324	1,519	306	1,473
------------------------------------	-----	-------	-----	-------

7. INVESTMENTS IN SUBSIDIARY

Investments in subsidiary stated by using the cost method as at 31 March 2022 and 31 December 2021 consisted of:

	Thousand Baht		Percentage of		Thousand Baht	
	Paid-up share capital		holding (%)		Cost	
	2022	2021	2022	2021	2022	2021
Fire Inspector Co., Ltd.	10,000	10,000	99.99	99.99	12,849	12,849

8. PROPERTY, PLANT AND EQUIPMENT

Movements of property, plant and equipment for the three-month period ended 31 March 2022 were as follows:

	Thousand Baht	
	Consolidated	Separate
	financial statements	financial statements
Net book value as at 1 January 2022	243,335	243,297
Purchases - cost	754	754
Depreciation for the period	(1,825)	(1,820)
Net book value as at 31 March 2022	242,264	242,231

9. RIGHT-OF-USE ASSETS

Movements of right-of-use assets for the three-month period ended 31 March 2022 were as follows:

	Thousand Baht
	Consolidated and Separate
	financial statements
Net book value as at 1 January 2022	55,182
Depreciation for the period	(742)
Net book value as at 31 March 2022	54,440

10. SHORT-TERM BORROWINGS FROM FINANCIAL INSTITUTIONS

Short-term borrowings from financial institutions as at 31 March 2022 and 31 December 2021 consisted of

	Thousand Baht	
	Consolidated and Separate financial statements	
	2022	2021
Promissory notes	86,285	51,708

Bank deposits of the Company and directors were used as collateral for the credit facilities with financial institutions and personal guarantee by the directors in the full amount.

11. TRADE AND OTHER PAYABLES

Trade and other payables as at 31 March 2022 and 31 December 2021 consisted of:

	Thousand Baht			
	Consolidated financial statements		Separate financial statements	
	2022	2021	2022	2021
Trade payables	126,156	127,367	121,385	126,405
Other payables				
Accrued expenses	17,483	15,258	16,374	14,384
Payables from purchases of assets	784	1,678	784	1,678
Retention payables	7,744	8,948	7,744	8,948
Others	3,766	4,105	3,236	4,024
Trade and other payables	155,933	157,356	149,523	155,439

12. LEASE LIABILITIES

Movements of lease liabilities for the three-month period ended 31 March 2022 were as follows:

	Thousand Baht
	Consolidated and Separate
	financial statements
As at 1 January 2022	57,480
Payments	(519)
As at 31 March 2022	56,961
Less Current portion	(2,858)
Lease liabilities	54,103

The Company has lease liabilities payments as at 31 March 2022 and 31 December 2021 as follows:

Year	Thousand Baht		
	2022		
	Consolidated and Separate financial statements		
	Present value	Deferred interest	Minimum lease payments
1	2,858	3,041	5,899
2 - 5	9,573	8,126	17,699
Over 5 years	44,530	12,991	57,521
Total	56,961	24,158	81,119

Year	Thousand Baht		
	2021		
	Consolidated and Separate financial statements		
	Present value	Deferred interest	Minimum lease payments
1	2,829	3,070	5,899
2 - 5	9,476	8,223	17,699
Over 5 years	45,175	13,452	58,627
Total	57,480	24,745	82,225

The Group had total cash outflows for leases for the three-month periods ended 31 March 2022 and 2021 of Baht 1.11 million and Baht 0.74 million, respectively, in the consolidated financial statements and separate financial statements.

13. INCOME TAX

The Group recognised tax expense for the three-month periods ended 31 March 2022 and 2021 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 2022 and 2021 as follows:

	Thousand Baht			
	Consolidated financial statements		Separate financial statements	
	2022	2021	2022	2021
Current tax				
Current period	4,866	4,113	4,227	3,346
Deferred tax				
Movements in temporary differences	(3,697)	(855)	(3,664)	(869)
Tax expense	1,169	3,258	563	2,477

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). 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 three-month periods ended 31 March 2022 and 2021 were as follows:

	Thousand Baht					
	From sales		From project works and services		Total	
	2022	2021	2022	2021	2022	2021
Revenues	155,886	148,656	80,346	112,522	236,232	261,178
Cost	(110,999)	(109,599)	(66,500)	(92,999)	(177,499)	(202,598)
Gross profit	44,887	39,057	13,846	19,523	58,733	58,580

15. FAIR VALUE OF FINANCIAL INSTRUMENTS

As at 31 March 2022, the carrying value and fair value of financial liabilities were as follows:

	Thousand Baht	
	Consolidated and Separate financial statements	
	Fair value through	
	profit or loss	Fair value
Financial liabilities		
Forward bought contracts	16	16

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 which are short-term. For short-term loans to related party, deposits at financial institutions under pledge, lease liabilities and short-term borrowings from financial institutions 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 31 March 2022, the Group had the financial liabilities 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
Liabilities measured at fair value				
Forward bought contracts	-	16	-	16

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 31 March 2022 the Group 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 63.17 million.

17.2 Payments under office service agreements with related company as follows:

Period	Service (Thousand Baht)
1 year	4,425
2 - 5 years	319

17.3 Payments under service agreements in the amount of Baht 30.99 million.

The Subsidiary

17.4 Letters of guarantee issued by banks for goods and installation of system service agreement in the amount of Baht 0.39 million.

17.5 Payments under service agreements in the amount of Baht 4.53 million.

Contingent liabilities

The Company

The Company was sued for the return of assets, which foreclosed from breaking the contract and pay for loss of use of such assets at the rate of Baht 2,500 per day from the date that the Company was sued until the date when return such assets. Currently, this case is under consideration by the Civil Court. However, the management believes that the Company will not incur losses as a result of this case.

18. EVENT AFTER THE REPORTING PERIOD

The Company

The Ordinary General Meeting of Shareholders held on 20 April 2022, the resolutions were passed as follows:

- To pay the stock dividend by issuing 60 million ordinary shares with a par value of Baht 0.50 each to the Company's shareholders at the ratio of 10 existing shares to one dividend share, or a dividend payout ratio of Baht 0.05 per share, and pay cash dividend at the rate of Baht 0.00556 per share, or a total of dividend payment of Baht 33.34 million.
- To increase share capital from Baht 300 million to Baht 330 million by issuing new 60 million ordinary shares at par value of Baht 0.50 each for stock dividend payment. The Company registered the increase of its registered share capital with the Ministry of Commerce on 25 April 2022.

19. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

These interim financial statements have been approved for issue by the Company's Board of Directors on 14 May 2022.