



รายงานประจำปี 2559

Annual Report 2016



บริษัท หายน เอ็นจิเนียริ่ง โซลูชั่นส์ จำกัด (มหาชน)
Harn Engineering Solutions Public Company Limited



SUSTAINABLE SOLUTION PROVIDER OF

- Fire Protection
- Air Conditioning & Sanitary
- Refrigeration
- Digital Printing



“ถ้าทำงานด้วยความตั้งใจที่จะให้เกิดผลอันยิ่งใหญ่
คือความเป็นปึกแผ่นของประเทศชาติ
ด้วยความสุจริตและด้วยความรู้ความสามารถด้วยจริงใจ
ไม่นึกถึงเงินทองหรือนึกถึงผลประโยชน์ใดๆ
ก็เป็นการทำหน้าที่โดยตรงและได้ทำหน้าที่โดยเต็มที่”

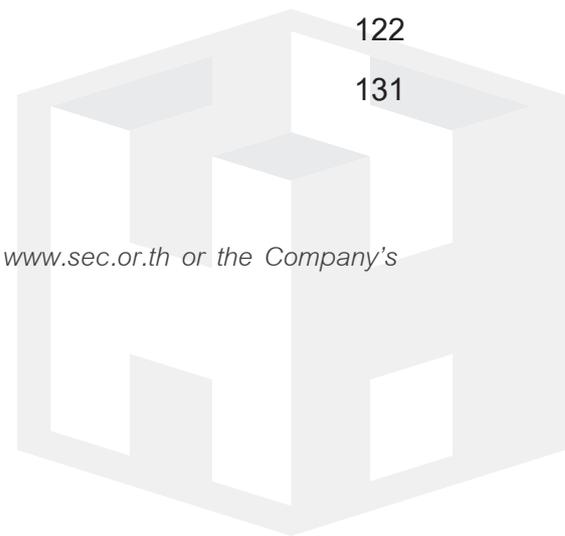
- พระบรมราโชวาทพระราชทานแก่ ศึกษาธิการจังหวัดทั่วประเทศ ๑๓ ธันวาคม ๒๕๑๑ -

ปวงข้าพระพุทธเจ้า ขอหม่อมเกล้าน้อมกระหม่อมรำลึกในพระมหากรุณาธิคุณหาที่สุดมิได้
ข้าพระพุทธเจ้า ผู้บริหารและพนักงาน บริษัท หาญ เอ็นจิเนียริ่ง โซลูชั่นส์ จำกัด (มหาชน)

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"Investors can learn more information of Company from Form 56-1 on www.sec.or.th or the Company's website www.harn.co.th"



1. Vision, Mission, Core Value and Target

Vision

We are committed to be a leading sustainable solution provider of engineering systems in safety, refrigeration and digital printing in Thailand and neighbor countries

Mission

- maximize our customer satisfaction through high quality products and services, leading technology and excellent business practice.
- believe in our employees value and potential and are committed to build a happy, energetic, innovative and dynamic workplace of competent teamwork with integrity, positivity and professional responsibility.
- We will make a good investment return to shareholders and continually grow our business in a sustainable way.
- We will create long term values and enhance quality of life for all our stakeholders under prudent management and good corporate governance.

Core Value

P ความรับผิดชอบอย่างมืออาชีพ
Professional Responsibility

O มีความรัก ผูกพัน และเป็นเจ้าขององค์กร
Ownership

S การพัฒนาอย่างยั่งยืน
Sustainable Development

i ความซื่อสัตย์และยึดมั่นในความถูกต้องและเป็นธรรม
Integrity

T ความร่วมมือทำงานเป็นทีม
Teamwork

i ความคิดริเริ่มสร้างสรรค์
Innovation

V การสร้างคุณค่า
Value Creation

E การมุ่งมั่นสู่ความเป็นเลิศ
Excellence



Target

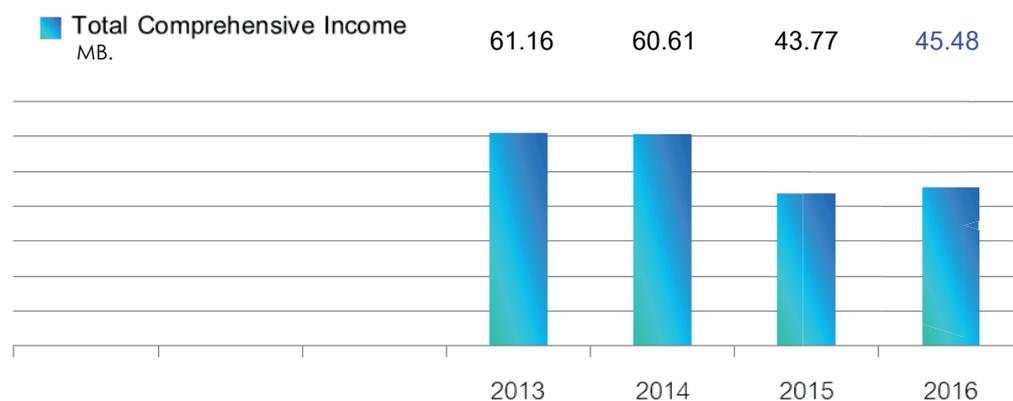
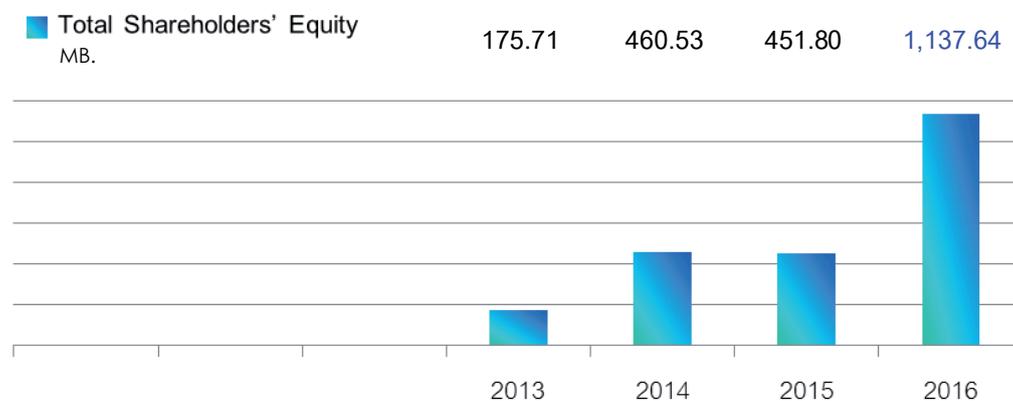
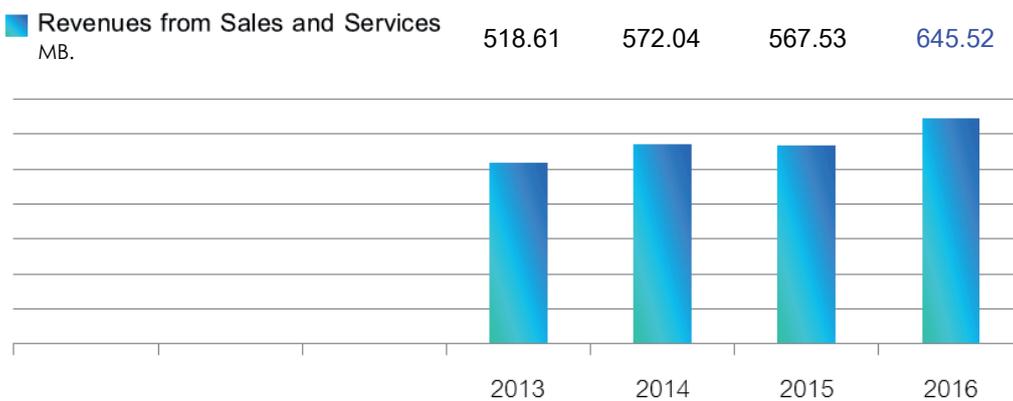
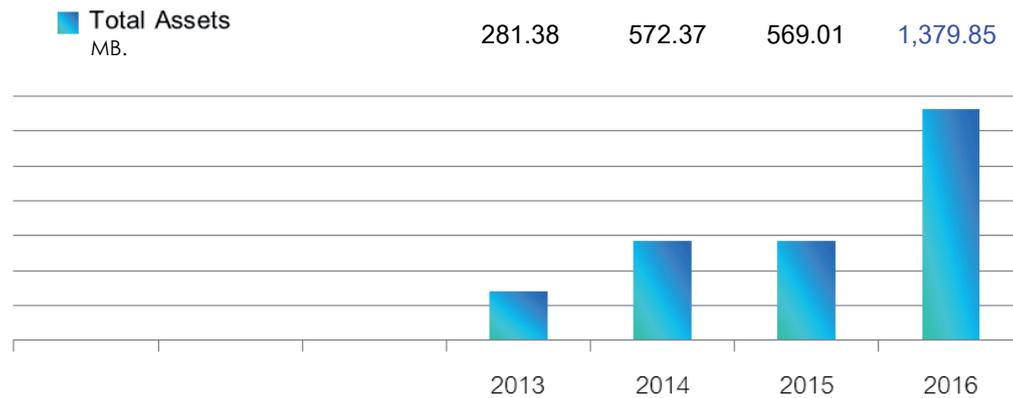
- Strengthen good relationship with major customers consistently and continuously.
- Enhance our product portfolio and increase the number of products in Safety Engineering Products. Refrigeration system And digital printing To increase the choice and support the needs of all customers standard product group.
- Expand the customer base to project contractors and industrial sectors, and focus more on small and medium enterprises, which are direct end-users of the products.
- Expand the distribution markets to neighboring countries, namely Myanmar, Vietnam, Cambodia, and so on.
- Focus on after-sales service to project customers in coordination with project designers, and distribution of products under contracted manufacturing and products under distributorship.
- Upkeep international standard of business practice and continuous development of business processes.
- Create shared values in the organization to foster good corporate culture.
- Foster learning organization to enhance competitiveness for success.



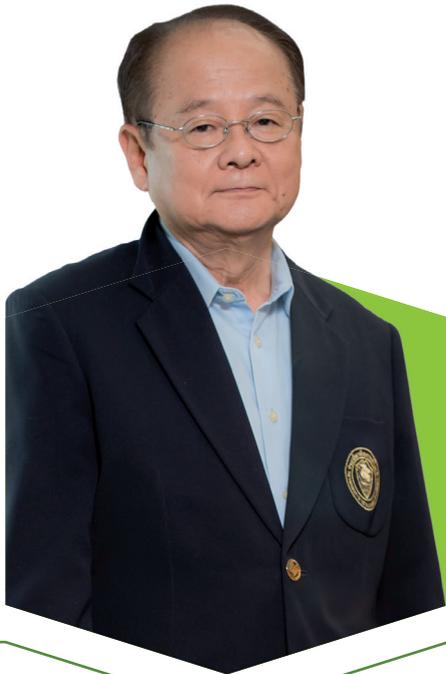
2. Key Financial Information

		2016	2015	2014	2013
Financial Position					
	Unit				
Total Assets	MB.	1,379.85	569.01	572.37	281.38
Total Liabilities	MB.	242.21	117.21	111.84	105.67
Total Shareholder's Equity	MB.	1,137.64	451.80	460.53	175.71
Operating Results					
Revenues from Sales and Services	MB.	645.52	567.53	572.04	518.61
Total Revenues	MB.	662.72	582.95	583.43	521.26
Costs of Sales and Services	MB.	487.61	425.79	422.05	369.86
Gross Profit	MB.	157.91	141.74	149.99	148.75
Net Profit	MB.	40.53	46.20	60.61	61.16
Total Comprehensive Income	MB.	45.48	43.77	60.61	61.16
Key Financial Ratios					
Return on Equity	%	5.72	9.60	19.05	38.48
Return on Assets	%	4.67	7.67	14.20	23.37
Gross Profit Margin	%	24.46	24.98	26.22	28.68
Net Profit Margin	%	6.86	7.51	10.39	11.73
Total Liabilities to Equity	Times	0.21	0.26	0.24	0.60
Asset Turnover	Times	0.68	1.02	1.37	1.99
Ordinary Shares					
Par Value per Share	Baht	0.50	0.50	0.50	10.00
Book Value per Share	Baht	1.95	1.29	1.32	27.03
Dividend per Share	Baht	0.09	0.10	0.15	15.23
Earnings per Share	Baht	0.11	0.13	0.25	0.47

Remark : * comprehensive income used in calculation



3. Message from the Board of Directors



Mr. Thakol Nunthirapakorn

Chairman of the Board

Mr. Wirat Sukchai

Chief Executive Officer



2016 was the year with a significance change to the Company once again. Since the end of the year, the Company had taken over Chillmatch Co., Ltd. and its subsidiaries and had changed the name of the Company to Harn Engineering Solutions Public Company Limited to better suit the businesses of the Company which are more diverse. The Company remains focus in the business of distributing products for the engineering systems which can be categorized into 4 groups; fire extinguisher systems, refrigeration systems, ventilation systems and digital printing systems. In the past, all business groups have had great performance with continuous growth. Although in 2016, the economic situation both domestically and internationally have not yet fully recovered, but the performance of the Company was at the satisfactory level. The Company can still expand its sales even though the profits had reduced slightly due to the competing nature of the market and the burden in costs for merging the companies last year. However, the Company believes that it can proceed to grow at a much faster rate once the merger is completed in the past year, which will result in a rapid growth of revenue and increase in stability which will become more apparent this year. As for 2017, the Company plans to expand the market into every sectors of the business, adding more products other than the original business in order to capture a variety of customers. The Company has employed additional personnel both domestically and in the neighboring countries which will lead to increase in sales and profits and to the Company's growth despite the economic situation which is still not so bright.

In terms of the business operation under the principle of good governance, the Company had always emphasized on the importance of following the principle of good governance. The Company operates on the basis of responsibility towards all stakeholders fairly, transparently and accountable. The Company hopes to follow the regulations of the Stock Exchange of Thailand and will improve its performance in every year in order to receive the confidence from the employees, trade partners and including the general investors as well.

On behalf of the Board of Directors, we would like to thank our shareholders, customers, trade partners, business alliances, and all stakeholders, as well as members of the Board of Directors, the management and all employees for their continued supports. Please be assured that the Board of Directors, the management and all employees will continue to strive to bring the Company into sustainable development under good corporate governance for the benefits of all stakeholders.



4. Board of Directors



Dr. Thakol Nunthirapakorn
Independent Director, Chairman
of the Board and Chairman of the
Audit Committee
Age 71 Yrs.

Shareholding proportion (As at December 31, 2016) None
Appointment date September 5, 2012

Education :

- PhD (Accounting, MIS, Economics), University of Arkansas, Fayetteville, Arkansas, U.S.A.
- MBA (Quantitative Analysis), Northeast Louisiana University, Monroe, Louisiana, U.S.A.
- BS (Finance), West Liberty State University, West Virginia, U.S.A.
- High Vocational Certificate (Finance and Banking), University of the Thai Chamber of Commerce

Training participation :

- Training program of Thai Institute of Directors Association (IOD) :
 1. Chairman Forum (R-CF), Class 1/2016
 2. Directors Certification Program (DCP), Class 228/2016
 3. Ethical Leadership Program (ELP), Class 3/2016
 4. Audit Committee Program (ACP), Class 8/2005
 5. Director Accreditation Program (DAP), Class 8/2004

Work experience :

Business

- 2015 - present Independent Director / Chairman of the Board of Directors / Chairman of Audit Committee, Harn Engineering Solutions Plc.
- 2002 - present Independent Director and Chairman of Audit Committee, Ratchthani Leasing Plc.
- 2012 - 2015 Independent Director and Chairman of Audit Committee, Fire Victor Plc.*
- Member of Audit Committee, Thai Public Broadcasting Service (TPBS)
- Independent Director and Member of Audit Committee, Bangkok Metropolitan Bank Plc.
- Director, NS Electronics Bangkok (1993) Ltd.
- Director, D.N. Machinery (1980) Co., Ltd.

- Chairman of Provident Fund Committee, NS Electronics Bangkok (1993) Ltd.

Education

- 2012 - 2015 Dean of Accounting, University of the Thai Chamber of Commerce
- 2012 - 2015 Vice-Rector for Administration, University of the Thai Chamber of Commerce
- Adjunct Professor, University of the Thai Chamber of Commerce
- Member of Executive Board, University of the Thai Chamber of Commerce
- Director, Development and Establishment Project, University of the Thai Chamber of Commerce New Campus
- Director, Council of Thongsuk College
- Special Instructor, Graduate School, University of the Thai Chamber of Commerce
- Deputy Dean (Administration and Business), University of the Thai Chamber of Commerce
- Dean, Faculty of Business Administration, National Institute of Development Administration (NIDA)
- Expert Director, Member of Administrative Committee, Doctoral Program in Business Administration, JDBA
- Director, NIDA
- Director and Member of Audit Committee, University of the Thai Chamber of Commerce
- Chairman of Academic Rank Consideration Committee, University of the Thai Chamber of Commerce
- Professor of Accounting & Finance, Youngstown State University, Ohio, U.S.A.
- Graduate Council Member, Youngstown State University, Ohio, U.S.A.
- Assistant Professor, College of Business & Industry, Mississippi State University, Mississippi, U.S.A.
- Assistant Professor of Accounting, KSU, Kent, Ohio, U.S.A.

Social

- Director, King Rama III Foundation
- Foundation Director, King Rama III Pranangklaow Hospital
- Honorary Advisor, University of the Thai Chamber of Commerce Alumni Association
- President, University of the Thai Chamber of Commerce Alumni Association
- President (Founder) of Lions Club Thailand NIDA Campus
- Advisor, NIDA Alumni Association

Remark : *Fire Victor Plc. Change name as Harn Engineering Solutions Plc. at November 2, 2016



Mr. Wirat Sukchai

Directors, Member of the Executive Committee and Member of the Risk Management Committee

Age 51 Yrs.

Shareholding proportion (As at December 31, 2016)

86,807,809 shares (14.85%)

Appointment date

September 5, 2012

Education :

- MBA (E-MBA), National Institute of Development Administration (NIDA)
- BBA (Sales and Marketing), Bangkok University

Training participation :

- Training program of Thai Institute of Directors Association (IOD) :
 1. Successful Formulation & Execution of Strategy (SFE), Class 24/2015
 2. Director Certification Program (DCP), Class 204/2015
 3. Role of Chairman Program (RCP), Class 36/2015
 4. Anti-Corruption for Executive Program (ACEP), Class 14/2015
 5. Director Accreditation Program (DAP), Class SET/2012
- Other courses :
 - 12 Quality Leaders toward Digital Age and AEC Course
 - Risk Management of Organization Course
 - 4 Super Strategic Ideas Course
 - Finance for Non-finance Executive Course
 - Marketing 3.0 : Human Spirit Marketing Course
 - Vice Excellence Course
 - Amazing Sales Techniques for Diversified Groups of Customers Course
 - Root Cause Analysis & Corrective Actions Course

- Academic Development and Enhancement 4th Refreshment Program
- ISO 9001 : 2000 Quality System Management for Executives Course
- Techniques for Collection of Business and Legal Debt relating to Civil and Criminal Cases
- In-depth Discussion on Guidelines for Success in Installation Contractor and Distribution Business
- Fire Research, Education, Performance Codes & Investigation Course
- "HYGOOD" Sapphire Fire Suppression System Course
- TQM : Total Quality Management Course
- Fire Protection Science and Technology Course
- Advanced Sales Techniques Course
- Inspection of Building Fire Safety System Course

Work experience :

- 2016 - present Chief Executive Officer and Managing Director: Fire Protection System, Air-conditioning System and Sanitary, Harn Engineering Solutions Plc.
- 2012 - 2016 Managing Director, Fire Victor Plc. *
- 2002 - 2012 General Manager, Fire Victor Co., Ltd.*
- 1997 - 2001 Sales Manager, Harn Engineering Co., Ltd.
- 1995 - 1996 Deputy Sales Manager, Harn Engineering Co., Ltd.

Remark : *Fire Victor Plc. Change name as Harn Engineering Solutions Plc. at November 2, 2016





Mrs. Sirima Iamsakulrat

Directors and Chairman
of the Executive Committee
Age 54 Yrs.

Shareholding proportion 63,845,441 shares (10.92%)
(As at December 31, 2016)
Appointment date September 5, 2012

Education :

- MBA, Stanford University, U.S.A.
- BA (Economics), Chulalongkorn University

Training participation :

- Training program of Thai Institute of Directors Association (IOD) :
 1. Successful Formulation & Execution of Strategy (SFE), Class 24/2015
 2. Director Certification Program (DCP), Class 211/2015
 3. Director Accreditation Program (DAP), Class SET/2012

Work experience :

- 2016 - present Chairman of the Executive Committee, Harn Engineering Solutions Plc.
- 1989 - present Member of the Executive Committee, Harn Engineering Co., Ltd.
- 2012 - 2016 Member of the Executive Committee, Fire Victor Plc.*
- 2002 - 2016 Member of the Executive Committee, QIIS Co., Ltd.
- 1989 - 2016 Member of the Executive Committee, Chillmatch Co., Ltd.
- 2001 - 2012 Member of the Executive Committee, Fire Victor Co., Ltd.

Remark : *Fire Victor Plc. Change name as Harn Engineering Solutions Plc. at November 2, 2016



Mrs. Valeeratn Chuerboonchai

Directors and Member
of the Executive Committee
Age 62 Yrs.

Shareholding proportion 8,446,518 shares (1.45%)
(As at December 31, 2016)
Appointment date September 5, 2012

Education :

- BBA (Accounting), Assumption University

Training participation :

- Training program of Thai Institute of Directors Association (IOD) :
 1. Financial Statements for Directors (FSD), Class 28/2015
 2. Director Certification Program (DCP), Class 205/2015
 3. Anti-Corruption for Executive Program (ACEP), Class 14/2015
 4. Director Accreditation Program (DAP), Class SET/2012
- Other courses :
 - 12 Quality Leaders toward Digital Age and AEC Course
 - Risk Management of Organization Course
 - 4 Super Strategic Ideas Course
 - Finance for Non-finance Executive Course
 - The Habits of Highly Effective Working Person Course
 - Marketing 3.0 : Human Spirit Marketing Course
 - Insight of Income Tax on Wages and Welfare Course
 - New Accounting Standard and Impact on Business Course
 - Accounting and Finance Data for Executives Course

Work experience :

- 2012 - present Assistant Managing Director : Operations, Harn Engineering Solutions Plc.
- 2007 - 2016 Member of the Executive Committee, Chillmatch Co., Ltd.
- 2007 - 2016 Member of the Executive Committee, QIIS Co., Ltd.
- 2009 - 2015 Director, Promark Co., Ltd.
- 2007 - 2012 Finance Director, Fire Victor Co., Ltd.
- 2004 - 2012 General Manager (Finance and General Administration), Harn Engineering Co., Ltd.
- 1999 - 2004 Accounting and Finance Manager, Harn Engineering Co., Ltd.
- 1987 - 1999 Accounting and Finance Manager, Carpet International Thailand Plc.
- 1982 - 1987 Accounting and Finance Division Head, Carpet International Thailand Plc.



Mr. Wasan Nantakhwang

Directors, Member of the Executive Committee and Member of the Risk Management Committee
Age 50 Yrs.



Mr. Thammanoon Tripetchr

Directors, Member of the Executive Committee and Member of the Risk Management Committee
Age 49 Yrs.

Shareholding proportion 28,140,000 shares (4.81%)
(As at December 31, 2016)
Appointment date November 1, 2016

Shareholding proportion 20,842,442 shares (3.57%)
(As at December 31, 2016)
Appointment date November 1, 2016

Education :

- M.A. ((Faculty of Engineering), King Mongkut's University of Technology North Bangkok
- B.A. (Faculty of Engineering), King Mongkut's University of Technology North Bangkok

Training participation :

- Training program of Thai Institute of Directors Association (IOD) :
 1. Director Certification Program (DCP), Class 211/2015
 2. Successful Formulation & Execution of Strategy (SFE), Class 24/2015
 3. Financial Statements for Directors (FSD), Class 28/2015
 4. Director Accreditation Program (DAP), Class 116/2015
- Other courses :
 - 8 Habits of Highly Effective People by Stephen R. Covey
 - Commercial refrigeration training : Bitzer, Germany
 - Michael Porter on Strategy
 - Fresh vegetable and fruit preservation technology
 - Energy Saving in Green BD by Inverter
 - Marketing 3.0 : Human Spirit Marketing
 - Decoding E - Marketplace
 - Business Planning and Budgeting
 - Law on debt and checks
 - The Power of Focused Execution
 - The Application of The Balanced Scorecard and KPIs
 - Customer Analysis and Loyalty Program

Work experience :

- 2016 - Present Managing Director : Refrigeration System, Harn Engineering Solutions Plc.
- 2015 - 2016 Managing Director, Chillmatch Co., Ltd.
- 2014 - 2016 Member of the Executive Committee, QIIS Co., Ltd.
- 2001 - 2015 General Manager, Chillmatch Co., Ltd.
- 2001 - 2001 Sale Manager, Dunham-Bush (Thailand) Co., Ltd.
- 1993 - 2001 Senior Sales Engineer, Carrier (Thailand) Co., Ltd.

Education :

- B.B.A (Management), Assumption University of Thailand

Training participation :

- Training program of Thai Institute of Directors Association (IOD) :
 1. Director Certification Program (DCP), Class 211/2015
 2. Successful Formulation & Execution of Strategy (SFE), Class 24/2015
 3. Financial Statements for Directors (FSD), Class 28/2015
 4. Director Accreditation Program (DAP), Class 116/2015
- Other courses :
 - Safety Officer
 - Development of strategic thinking
 - Marketing, Sales and Service
 - Leadership Skill
 - Internal Quality Audit
 - After Sales Service Strategy
 - Application of KPIs to ISO 9001: 2000
 - CRM - Strategy & Technology
 - Understanding ISO 9000:2000 Requirement

Work experience :

- 2016 - Present Managing Director : Digital Printing System, Harn Engineering Solutions Plc.
- 2015 - 2016 Managing Director, QIIS Co., Ltd.
- 2014 - 2016 Member of the Executive Committee, Chillmatch Co., Ltd.
- 2010 - 2015 General Manager, QIIS Co., Ltd.
- 2002 - 2010 Sale Manager, QIIS Co., Ltd.
- 2001 - 2002 Sale Manager (The printer packaging), Harn Engineering Co., Ltd.
- 1996 - 2001 Service Manager (The printer packaging), Harn Engineering Co., Ltd.
- 1989 - 1996 Assistant Imports, Harn Engineering Co., Ltd.



Mr. Parkphum Wongpaitoon

Directors
Age 76 Yrs.

Shareholding proportion (As at December 31, 2016)

5,410,325 shares (0.93%)

Appointment date

September 5, 2012

Education :

- MSc. (Electrical Engineering), Illinois Institute of Technology, U.S.A.
- BSc. (Electrical Engineering), University of Illinois, U.S.A.

Training participation :

- Training program of Thai Institute of Directors Association (IOD) :
 1. Anti-Corruption for Executive Program (ACEP), Class 14/2015
 2. Role of Chairman Program (RCP), Class 36/2015
 3. Director Accreditation Program (DAP), Class 42/2005
- Other courses :
 - Secrets to Success Course
 - ISO : 2000 Quality System Management Course
 - Self Improvement (7-Habits) Course
 - Summary of the New Labor Protection Act B.E. 2551 Course
 - Techniques for Collection of Business and Legal Debt relating to Civil and Criminal Cases
 - ISO 9001 : 2000 Continual Improvement Course
 - Internal Audit and Control for Efficiency Enhancement Course
 - "Lean" Accounting Course
 - Family Business Tax Planning Strategy Course
 - Pay for Performance Course
 - EVA for Executives Course
 - Application of the Balance Scorecard & KPIs Course

Work experience :

- 2015 - present Director, Harn Engineering Solutions Plc.
- 1999 - present Director, Harn Engineering Co., Ltd.
- 2002 - 2016 Director, QIIS Co., Ltd.
- 1999 - 2016 Director, Chillmatch Co., Ltd.
- 2012 - 2015 Chairman of the Board, Fire Victor Plc.*
- 2001 - 2012 Member of the Executive Committee, Fire Victor Co., Ltd.
- 1998 - 2001 Managing Director, Harn Engineering Group
- 1992 - 1997 Managing Director, Thailand Carpet Manufacturing Plc.
- 1985 - 1991 Director and General Manager, Carpet International Thailand Plc.
- 1983 - 1984 Deputy General Manager, ITT (Thailand) Plc.
- 1976 - 1982 Factory Manager, Carpet International Thailand Plc.
- 1973 - 1975 Production Manager, Goodyear (Thailand) Co., Ltd.
- 1966 - 1972 Power Plant Design Engineer, Pioneer Service & Engineering Company and Sarget & Landy, Chicago, Illinois, U.S.A.

Remark : *Fire Victor Plc. Change name as Harn Engineering Solutions Plc. at November 2, 2016



Dr. Sothitorn Mallikamas

Independent Director and Member of the Audit Committee

Age 54 Yrs.

Shareholding proportion (As at December 31, 2016) None
 Appointment date September 5, 2012

Education :

- PhD (Economics), University of Wisconsin, U.S.A.
- MA (Economics), University of Wisconsin, U.S.A.
- BA (Economics), Chulalongkorn University

Training participation :

- Training program of Thai Institute of Directors Association (IOD) :
 1. Director Accreditation Program (DAP), Class 102/2013

Work experience :

- 2012 - present Independent Director and Member of the Audit Committee, Harn Engineering Solutions Plc.
- 2012 - present Chairman, International Economics Program, Chulalongkorn University
- 2006 - 2009 Dean, Faculty of Economics, Chulalongkorn University
- 2003 - 2006 Deputy Dean, Faculty of Economics, Chulalongkorn University
- 1999 - 2003 Director, Economics Research Center, Faculty of Economics, Chulalongkorn University
- 1992 - 1998 Advisor, Phatra Research Institute, Phatra Securities Plc.
- 1994 - 1995 Advisor, Monetary and Finance Commission, House of Representatives



Miss Voranuch Supaibulpipat

Independent Director and Member of the Audit Committee

Age 53 Yrs.

Shareholding proportion (As at December 31, 2016) None
 Appointment date September 5, 2012

Education :

- MBA, Middle Tennessee State University, U.S.A.
- BA (Economics), Chulalongkorn University

Training participation :

- Training program of Thai Institute of Directors Association (IOD) :
 1. Director Accreditation Program (DAP), Class SET/2012
- Other courses :
 • Executive Development Program, Thai Listed Companies Association, Class 10

Work experience :

- 2012 - present Independent Director and Member of the Audit Committee, Harn Engineering Solutions Plc.
- 1987 - present First Senior Vice President, Tisco Financial Group Plc.





Dr. Supot Tiarawut

Independent Director and Chairman of the Risk Management Committee

Age 50 Yrs.

Shareholding proportion (As at December 31, 2016)

None

Appointment date

November 1, 2016

Education :

- Doctor of Engineering (Electronic Engineering), The University of Tokyo, Japan
- Master of Engineering (Information and Computer Sciences), Toyohashi University of Technology, Japan
- Bachelor of Engineering (1st Class Honor) (Electrical Engineering) Chulalongkorn University

Training participation :

- Training program of Thai Institute of Directors Association (IOD) :
 1. Director Certification Program (DCP) Class 195/2014
 2. Finance for Non-Finance Directors (FND) Class 20/2005

Work experience :

Business

- 2016 - Present Independent Director and Chairman of the Risk Management Committee, Harn Engineering Solutions Plc.
- 2014 - Present Director, ATP 30 Plc.
- 2012 - Present Director, Blue Phoenix Innovation Co., Ltd.
- 2014 Executive Vice President, Corporate Strategy, Symphony Communications Plc.
- 2007 - 2011 Director, Telecommunication Research and Industrial Development Institute (TRIDI)
- 1995 - 2007 Senior Vice President Corporate Strategy, Senior Vice President Product Development, Secretary of the Executive Committee, Secretary of Risk Management Committee, Vice President Corporate Planning, Vice President Information Technology, TT&T Plc.
- 1995 - 2007 President, TT&T Subscribers Services Co., Ltd.
- 1995 - 2007 Director, Triple T GlobalNet Company Limited
- 1994 - 1995 Industrial Officer, Office of Industrial Affairs, Royal Thai Embassy, Tokyo, Japan

Education

- 2016 - Present Advisor to the President, Chulalongkorn University
- 2014 - Present Director, Industrial Liaison Program (ILP), Faculty of Engineering, Chulalongkorn University
- 2012 - 2014 Assistant to the President (IT and Strategy), Chulalongkorn University

Social

- Executive Committee, Telecommunications Association of Thailand
- Advisor to Sub-Committee on Computer Engineering, Engineering Institute of Thailand
- ICT Sub-Committee, Technology Promotion Association

5. Executives and Company Secretary



Mr. Wirat Sukchai

Chief Executive Officer and Managing Director :
Fire Protection System, Air-conditioning System and Sanitary
Age 51 Yrs.

Shareholding proportion (As at December 31, 2016)

86,807,809 shares (14.85%)

Appointment date

September 5, 2012

Education :

- MBA (E-MBA), National Institute of Development Administration (NIDA)
- BBA (Sales and Marketing), Bangkok University

Training participation :

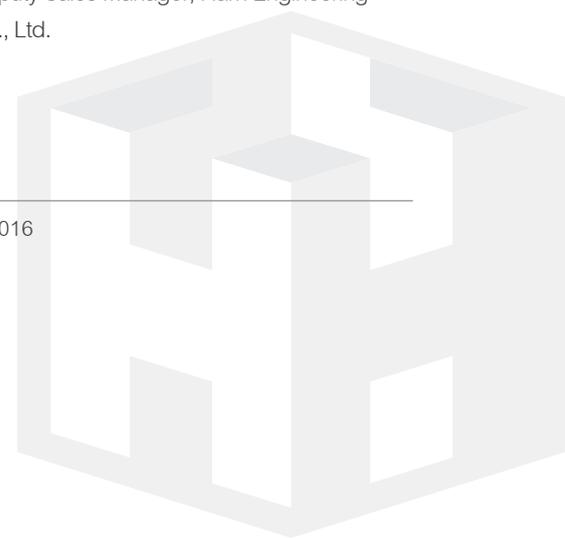
- Training program of Thai Institute of Directors Association (IOD) :
 1. Successful Formulation & Execution of Strategy (SFE), Class 24/2015
 2. Director Certification Program (DCP), Class 204/2015
 3. Role of Chairman Program (RCP), Class 36/2015
 4. Anti-Corruption for Executive Program (ACEP), Class 14/2015
 5. Director Accreditation Program (DAP), Class SET/2012
- Other courses :
 - 12 Quality Leaders toward Digital Age and AEC Course
 - Risk Management of Organization Course
 - 4 Super Strategic Ideas Course
 - Finance for Non-finance Executive Course
 - Marketing 3.0 : Human Spirit Marketing Course
 - Vice Excellence Course
 - Amazing Sales Techniques for Diversified Groups of Customers Course
 - Root Cause Analysis & Corrective Actions Course

- Academic Development and Enhancement 4th Refreshment Program
- ISO 9001 : 2000 Quality System Management for Executives Course
- Techniques for Collection of Business and Legal Debt relating to Civil and Criminal Cases
- In-depth Discussion on Guidelines for Success in Installation Contractor and Distribution Business
- Fire Research, Education, Performance Codes & Investigation Course
- "HYGOOD" Sapphire Fire Suppression System Course
- TQM : Total Quality Management Course
- Fire Protection Science and Technology Course
- Advanced Sales Techniques Course
- Inspection of Building Fire Safety System Course

Work experience :

- 2016 - present Chief Executive Officer and Managing Director : Fire Protection System, Air-conditioning System and Sanitary, Harn Engineering Solutions Plc.
- 2012 - 2016 Managing Director, Fire Victor Plc. *
- 2002 - 2012 General Manager, Fire Victor Co., Ltd.*
- 1997 - 2001 Sales Manager, Harn Engineering Co., Ltd.
- 1995 - 1996 Deputy Sales Manager, Harn Engineering Co., Ltd.

Remark : *Fire Victor Plc. Change name as Harn Engineering Solutions Plc. at November 2, 2016



**Mr. Wasan Nantakhwang**

Managing Director :
Refrigeration System
Age 50 Yrs.

Shareholding proportion 28,140,000 shares (4.81%)
(As at December 31, 2016)
Appointment date November 1, 2016

Education :

- M.A. ((Faculty of Engineering), King Mongkut's University of Technology North Bangkok
- B.A. (Faculty of Engineering), King Mongkut's University of Technology North Bangkok

Training participation :

- Training program of Thai Institute of Directors Association (IOD) :
 1. Director Certification Program (DCP), Class 211/2015
 2. Successful Formulation & Execution of Strategy (SFE), Class 24/2015
 3. Financial Statements for Directors (FSD), Class 28/2015
 4. Director Accreditation Program (DAP), Class 116/2015
- Other courses :
 - 8 Habits of Highly Effective People by Stephen R. Covey
 - Commercial refrigeration training : Bitzer, Germany
 - Michael Porter on Strategy
 - Fresh vegetable and fruit preservation technology
 - Energy Saving in Green BD by Inverter
 - Marketing 3.0 : Human Spirit Marketing
 - Decoding E - Marketplace
 - Business Planning and Budgeting
 - Law on debt and checks
 - The Power of Focused Execution
 - The Application of The Balanced Scorecard and KPIs
 - Customer Analysis and Loyalty Program

Work experience :

- 2016 - Present Managing Director : Refrigeration System, Harn Engineering Solutions Plc.
- 2015 - 2016 Managing Director, Chillmatch Co., Ltd.
- 2014 - 2016 Member of the Executive Committee, QIIS Co., Ltd.
- 2001 - 2015 General Manager, Chillmatch Co., Ltd.
- 2001 - 2001 Sale Manager, Dunham-Bush (Thailand) Co., Ltd.
- 1993 - 2001 Senior Sales Engineer, Carrier (Thailand) Co., Ltd.

**Mr. Thammanoon Tripetchr**

Managing Director :
Digital Printing System
Age 49 Yrs.

Shareholding proportion 20,842,442 shares (3.57%)
(As at December 31, 2016)
Appointment date November 1, 2016

Education :

- B.B.A (Management), Assumption University of Thailand

Training participation :

- Training program of Thai Institute of Directors Association (IOD) :
 1. Director Certification Program (DCP), Class 211/2015
 2. Successful Formulation & Execution of Strategy (SFE), Class 24/2015
 3. Financial Statements for Directors (FSD), Class 28/2015
 4. Director Accreditation Program (DAP), Class 116/2015
- Other courses :
 - Safety Officer
 - Development of strategic thinking
 - Marketing, Sales and Service
 - Leadership Skill
 - Internal Quality Audit
 - After Sales Service Strategy
 - Application of KPIs to ISO 9001: 2000
 - CRM - Strategy & Technology
 - Understanding ISO 9000:2000 Requirement

Work experience :

- 2016 - Present Managing Director : Digital Printing System, Harn Engineering Solutions Plc.
- 2015 - 2016 Managing Director, QIIS Co., Ltd.
- 2014 - 2016 Member of the Executive Committee, Chillmatch Co., Ltd.
- 2010 - 2015 General Manager, QIIS Co., Ltd.
- 2002 - 2010 Sale Manager, QIIS Co., Ltd.
- 2001 - 2002 Sale Manager (The printer packaging), Harn Engineering Co., Ltd.
- 1996 - 2001 Service Manager (The printer packaging), Harn Engineering Co., Ltd.
- 1989 - 1996 Assistant Imports, Harn Engineering Co., Ltd.



**Mrs. Valeeratn
Chuerboonchai**

Assistant Managing Director :
Operations
Age 62 Yrs.

Shareholding proportion 8,446,518 shares (1.45%)
(As at December 31, 2016)
Appointment date September 5, 2012

Education :

- BBA (Accounting), Assumption University

Training participation :

- Training program of Thai Institute of Directors Association (IOD) :
 1. Financial Statements for Directors (FSD), Class 28/2015
 2. Director Certification Program (DCP), Class 205/2015
 3. Anti-Corruption for Executive Program (ACEP), Class 14/2015
 4. Director Accreditation Program (DAP), Class SET/2012
- Other courses :
 - 12 Quality Leaders toward Digital Age and AEC Course
 - Risk Management of Organization Course
 - 4 Super Strategic Ideas Course
 - Finance for Non-finance Executive Course
 - The Habits of Highly Effective Working Person Course
 - Marketing 3.0 : Human Spirit Marketing Course
 - Insight of Income Tax on Wages and Welfare Course
 - New Accounting Standard and Impact on Business Course
 - Accounting and Finance Data for Executives Course

Work experience :

- 2012 - present Assistant Managing Director : Operations, Harn Engineering Solutions Plc.
- 2007 - 2016 Member of the Executive Committee, Chillmatch Co., Ltd.
- 2007 - 2016 Member of the Executive Committee, QIIS Co., Ltd.
- 2009 - 2015 Director, Promark Co., Ltd.
- 2007 - 2012 Finance Director, Fire Victor Co., Ltd.
- 2004 - 2012 General Manager (Finance and General Administration), Harn Engineering Co., Ltd.
- 1999 - 2004 Accounting and Finance Manager, Harn Engineering Co., Ltd.
- 1987 - 1999 Accounting and Finance Manager, Carpet International Thailand Plc.
- 1982 - 1987 Accounting and Finance Division Head, Carpet International Thailand Plc.



Mrs. Varinkan Teraumranon

Assistant Managing Director :
Corporate Governance and
Secretary Company
Age 51 Yrs.

Shareholding proportion 1,196,593 shares (0.20%)
(As at December 31, 2016)
Appointment date February 29, 2016

Education :

- BBA (Accounting), Rajamangala Institute of Technology

Training participation :

- Training program of Thai Institute of Directors Association (IOD) :
 1. Effective Minute Taking Plan (EMT) Class 36/2016
 2. Company Reporting Program (CRP) Class 16/2016
 3. Company Secretary Program (CSP) Class 72/2016
 4. How to Develop a Risk Management Plan (HRP) Class 8/2015
- Other courses :
 - Organizational Success Assessment through KPI Course
 - Internal control and audit pursuant to ISO 9001 : 2008 Course
 - 360° Marketing Communication Techniques Course
 - Finance for Non-finance Executive Course
 - Finance for the Boss Course
 - Professional Interview Techniques Course
 - Risk Management of Organization Course
 - Import-Export Basics Course
 - Performance Enhancement with Positive Thinking Course
 - Annual Wage Increment and Employee Compensation Management Course
 - Business English Writing Course
 - Quality Leaders toward Digital Age and AEC Course

Work experience :

- 2016 - present Assistant Managing Director : Corporate Governance and Secretary Company, Harn Engineering Solutions Plc.
- 2014 - 2016 Operation Support Director (General Management Group), Fire Victor Plc.*
- 2005 - 2013 Chief Policy and Human Resource Planning Officer, Harn Engineering Co., Ltd.
- 1998 - 2004 Executive Assistant, Harn Engineering Co., Ltd.
- 1993 - 1997 Marketing Support Officer, Harn Engineering Co., Ltd.

Remark : *Fire Victor Plc. Change name as Harn Engineering Solutions Plc. at November 2, 2016



Mr. Wisit Wachiralappaitoon

Finance Director
Age 43 Yrs.

Shareholding proportion (As at December 31, 2016)

145,190 shares (0.02%)

Appointment date

March 16, 2016

Education :

- Bachelor of Business Administration (Accounting), Bachelor of Law Ramkhamhaeng University
- Master of Science (Accounting) Thammasat University

Training participation :

- Graduate Diploma in Global Entrepreneurship and E-commerce, York College of Information and Technology, Ontario, Canada.

Work experience :

- 2016 - present Finance Director, Harn Engineering Solutions Plc.
- 2012 - 2016 Chief Financial Officer, Hot Pot Plc.
- 1999 - 2012 Audit Manager, Swot Audit Co., Ltd.
- 1996 - 1998 Accountant, Italthai Engineering Co.,Ltd.



Management of the company



01. Mr. Wirat Sukchai

Chief Executive Officer and Managing Director :
Fire Protection System, Air-conditioning system
and sanitary

02. Mr. Wasan Nantakhwang

Managing Director : Refrigeration System

03. Mr. Thammanoon Tripetchr

Managing Director : Digital Printing System

04. Mrs. Valeeratn Chuerboonchai

Assistant Managing Director : Operations

05. Mrs. Varinkan Teraumranon

Assistant Managing Director : Corporate
Governance

06. Mr. Pracha Phromphornchai

Project Sales Director : Fire Protection System,
Air-conditioning system and sanitary

07. Mr. Rattanaphan Mukhariwattananon

Sales Director : Fire Protection System,
Air-conditioning system and sanitary

08. Mr. Suchat Suwatnodom

Project Sales Director : Fire Protection System,
Air-conditioning system and sanitary

09. Mr. Nuntawat Jeerakhom

Sales Director : Refrigeration System

10. Mr. Sukit Litikorn

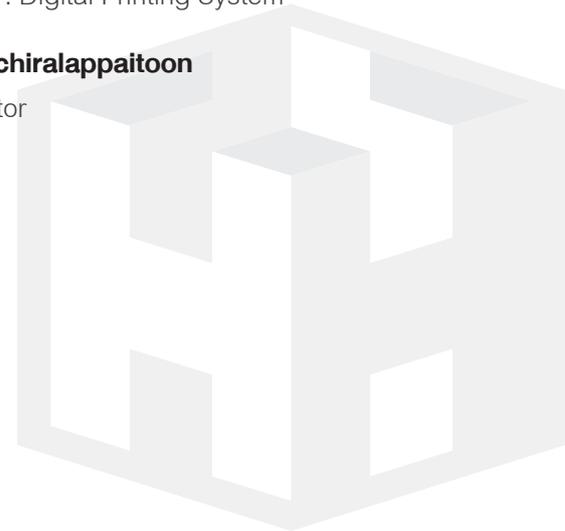
Engineering Director : Refrigeration System

11. Mr. Withoon Thamee

Sales Director : Digital Printing System

12. Mr. Wisit Wachiralappaitoon

Finance Director



6. General Information

Name	HARN ENGINEERING SOLUTIONS PUBLIC COMPANY LIMITED
Symbol	HARN
Registered Capital	Baht 292,250,000 (totaling 584,500,000 ordinary shares each of Baht 0.50 par value)
Paid-up Capital	Baht 292,250,000 (totaling 584,500,000 ordinary shares each of Baht 0.50 par value)
Nature of Business	import and distribution of products used in building engineering system, i.e. fire suppression system, air-conditioning system, sanitary system, refrigeration system and digital printing including the provision of consulting, designing services in projects and provision of engineering solutions complete.
Head Office Location	19/20-22 Soi Soonvijai, Rama 9 Road, Bang Kapi Subdistrict, Huai Khwang District, Bangkok 10310 Tel : +66 (2) 203-0868 Fax. +66 (2) 203-0245
Soonvijai Warehouse Location	503/1, 509 Soi Soonvijai, Rama 9 Road, Bang Kapi Subdistrict, Huai Khwang District, Bangkok 10310 Tel : +66 (2) 719-7285, +66 (2) 716-9070 Fax. +66 (2) 318-8624
Motorway Warehouse Location	6, 8 Moo 15 Motorway Frontage Road, Sapan Sung Subdistrict, Sapan Sung District, Bangkok 10240 Tel : +66 (81) 914-2236, +66 (85) 480-2420
Registration No.	0107557000217
Website	www.harn.co.th
Company Secretary	Mrs. Varinkan Teraumranon Tel : +66 (2) 203-0868 E-mail : varinkan.t@harn.co.th
Investor Relations	Mr. Wirat Sukchai Tel : +66 (2) 203-0868 E-mail : wirat.s@harn.co.th
Information of Subsidiary	-None-

Name and Address of Other References

Securities Registrar	The Stock Exchange of Thailand Building 93 Ratchadaphisek Road, Dindaeng Subdistrict, Dindaeng, Bangkok 10400 Tel : +66 (2) 009-9000 Fax : +66 (2) 009-9991 website : www.set.or.th/tsd
Auditor	Deloitte Touche Tohmatsu Jaiyos Co., Ltd. AIA Sathorn Tower, 23rd - 27th Floor 11/1 South Sathorn Road, Yannawa Subdistrict, Sathorn District, Bangkok 10120 Tel : +66 (2) 034-0000 Fax : +66 (2) 034-0100

For more information, please see our Annual Registration Statement (Form 56-1) which is posted on The Office of the Securities and Exchange Commission's website at www.sec.or.th or visit the Company's website at www.harn.co.th

7. Nature of Business

Description of Products and Services

The Company's products and services can be divided into four categories as follows :

- 1) Fire suppression products and firefighting system installation services

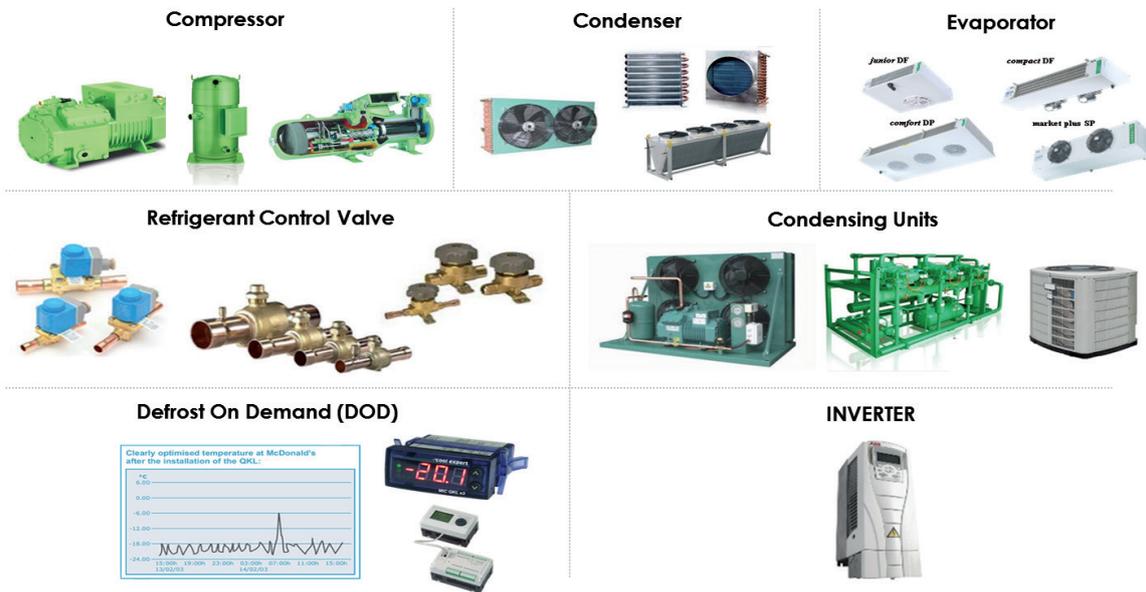


Fire suppression products are part of building engineering system, used for prevention, alarming and control of fire and smoke. The products distributed by the Company include valves and fittings that are erected in the fire protection system. Valve is a device used for starting or stopping the flow of water in the fire protection system and is fixed with a pipeline in such system. There are valve for controlling the flow of water, valve for starting or stopping the flow of water during repair and maintenance of the system, valve for preventing reversal of water, and so on. Equipment for fire protection system serves as a component or an auxiliary device applied jointly with the main equipment in order to allow for complete functioning of the fire protection system, including other firefighting devices such as fire hose cabinet, fire hose, fire extinguisher, etc.

The Company also provides consulting, designing and installation services for all types of firefighting systems. It has a skillful engineering team to coordinate with customers, introduce the Company's products, and design and offer products and services to customers according to the international fire protection standards, as well as post-installation system test-run service.



2) Refrigeration products



Refrigeration products are equipment used in cold storage system or goods transport system for freezing or lowering the temperature of products that require a stable temperature control. In general, a cooling system can lower the temperature to between -30°C and $+25^{\circ}\text{C}$. The Company offers a complete range of refrigeration products, as illustrated in the cooling system diagram, consisting of condenser, evaporator, defrost on demand (DOD) equipment, etc., including valve which is an important device in the refrigeration system used for starting or stopping the liquid flow and the cooling pressure. The Company has also designed and produced condensing units by integrating all equipment and cooling concepts into one product unit that can be used for prompt installation of a cold storage system or goods transport system.

3) Air-conditioning and sanitary products



Air-conditioning products are devices in building engineering system, used for controlling temperature and air quality at an appropriate level. An air-conditioning system can typically control the temperature at 22°C - 25°C. Meanwhile, sanitary products in the building engineering system include water supply system, water drainage system, ventilation system, etc. Air-conditioning and sanitary products distributed by the Company are valves that are used for starting or stopping the flow of liquid and pressure in the air-conditioning and the sanitary system and are fixed with a pipeline in such system. In the sanitary and air-conditioning system, there are also other major components or auxiliary devices such as copper tube, fitting, flow switch, etc.

4) Digital printing products

CIJ - Continuous Ink Jet



Laser Printer



Digital Printer



3D Printer



Accessories Printer and Consumable consist of :

- Ink, Ink Blending, Ink Remover.
- Ribbon.
- Resin.
- Filters and Spare Parts Machine, Automatic Paper Wrapping Machine, Manual Printer, Rollers and Foil lettering Machine, Date Printed, etc.

Digital printing products consist of machine for printing expiry date, machine for printing texts on packages, feeder, printing equipment, various types of supplies, etc. The Company's products are coding printers for printing expiry dates and texts such as lot numbers on packages of any types, including plastic bottle, glass bottle, metal/aluminum can, paper box, glossy paper, plastic envelope, aluminum foil, plastic cup and others. It employs technologies such as inkless laser coding, non-contact inkjet printing, printing with ink ribbon, printing with ink cartridge, etc. The Company also offers installation service, training service, after-sales service, and maintenance service, as well as distributes 3D digital printers and provides digital file printing service and packaging and product design service for various industries such as dental, hearing aid, jewelry, automotive, and so on.

Products insurance or periodic maintenance

The Company insures the damages or defectives of all products following the insurance conditions of the products that the Company distributes or installs for the customers for 1 year. The products of the Company

had been insured already by the suppliers for at least 1 year. In addition, once the installation is completed, the Company insures the installed products under the conditions for 1 year where the suppliers also insure the products to the Company for 1 year as well.

Quality and standard of the products

The Company emphasizes on the quality and the standard of the distributed products so that the customers can be confident in the quality and the safety of the products that follows the terms and conditions agreed upon with the Company. The products sold by the Company are mostly certified by the UL (Underwriters Laboratories)¹ and/or FM (Factory Mutual)² and/or BS (British Standard)³ and/or TIS (Thai Industrial Standards)⁴ and/or EN (European Standard). As for the Company's OEM, these are produced under BS or ASTM International, including all aspects of the Company's operation is certified by the ISO 9001:2008.

Significant Changes and Developments

Harn Engineering Solutions Public Company Limited (previously known as Fire Victor Public Company Limited) was originally set up as a section of Harn Engineering Company Limited ("Harn"). Later on May 9, 2001, the Company was incorporated as a juristic entity named "Fire Victor Company Limited" ("FIRE" or "the Company") by Charnarong Group⁵ and Mr. Wirat Sukchai, former executive of Harn overseeing sales of valves and equipment for firefighting system, following a corporate restructuring from family business management to professional management. With an initial registered capital of Baht 1 million, the Company was established to engage in import and distribution of valves and equipment for fire protection system and valves and equipment for sanitary system and air-conditioning system, including fire protection system installation services. On February 21, 2003 and July 24, 2006, the Company increased its registered capital to Baht 3 million and Baht 4 million, respectively, for use as working capital in its business operation.

In 2003, the Company expanded its business by adding Project Sales Division to provide consultation, designing and installation services of all types of fire protection system such as automatic sprinkler system, foam fire protection, and fire suppression and alarm systems, all of which are to be carried out by a skillful, specialized engineering team, with focus on not so large projects, i.e. small- and medium-sized factories, and in 2005, the Company added carbon dioxide (CO₂) extinguishing system and FM200 system into the Company's product line. In 2007, the Company received an Outstanding Distributor Award presented by NIBCO Inc., USA. The Company received ISO 9001 : 2008 certification from UKAS (United Kingdom Accreditation Service), a UK-based world-class certification body, with quality inspection and verification conducted by SGS (Thailand) Company Limited.

¹ Underwriters Laboratories (UL), safety standards by the Underwriters' Laboratories Inc. (UL), non-profit independent organization from the USA. Responsible in testing and prepares the safety standards and safety insurance of the products.

² Factory Mutual (FM), responsible in testing protective and fire extinguisher equipment of the insurance group in the USA.

³ British Standard (BS), safety standards by the British Standard Institution (BSI)

⁴ Thai Industrial Standards (TIS), industrial standards, products guaranteed by the Thai Industrial Standard Institute.

⁵ The Charnarong Group consisting of Mrs. Prayoonsri Charnarong, Mrs. Sirima Aiemskulrut and Mr. Jane Charnarong

Important developments of the Company over the past five years can be summarized as follows :

- 2013**
- The Company was appointed as a distributor of Air Sampling Detector (ASD), a high-sensitivity smoke detection system of WAGNER, Federal Republic of Germany.
 - The Company was conferred by the Ministry of Industry the honorable mention award for cooperation with Thailand in reducing and phasing out ozone-depleting substances.
- 2014**
- The Company was appointed as a distributor of balancing and control valves of OVENTROP, Federal Republic of Germany.
 - March 19, 2014 the Annual General Meeting of Shareholders concluded that the Company will increase its registered capital from 65 million Baht to 130 million Baht by issuing 6,500,000 new common stocks at the value of 10 Baht per stock for the original shareholders at the rate of 1 original stock to 1 new stock at 10 Baht per stock. The money received from the capital increase will be use as cash flows from the business operation in which the Company had already registered for the capital increase to the Department of Business Development, Ministry of Commerce on the April 21, 2014.
 - May 15, 2014 the 1st Extraordinary Meeting of Shareholders approved the change of the Company from company limited to public company limited and the increase of the registered capital of 130 million Baht to 175 million Baht by issuing 45,000,000 new common stocks at the value of 1 Baht per stock for initial public offering (IPO) together with enlisting the Company's stocks to the Market of Alternative Investments (MAI).
 - May 22, 2014 the Company was listed as the public company limited under the name "Fire Victor Public Company Limited"
 - September 19, 2014, 1st Extraordinary Meeting of Shareholders approved the change in the value of the Company from 1 Baht to 0.50 Baht per stock, which increases the registered capital stocks of the Company from 175,000,000 stocks to 350,000,000 stocks and approved the IPO after the change of the stocks' value, the amount had increased from 45,000,000 stocks to 90,000,000 stocks. The Company had registered the changing of the stocks' value to the Department of Business Development, Ministry of Commerce on the September 22, 2014.
 - November 13, 2014, the Company became the listed company in the MAI and began trading with 350,000,000 registered stocks.



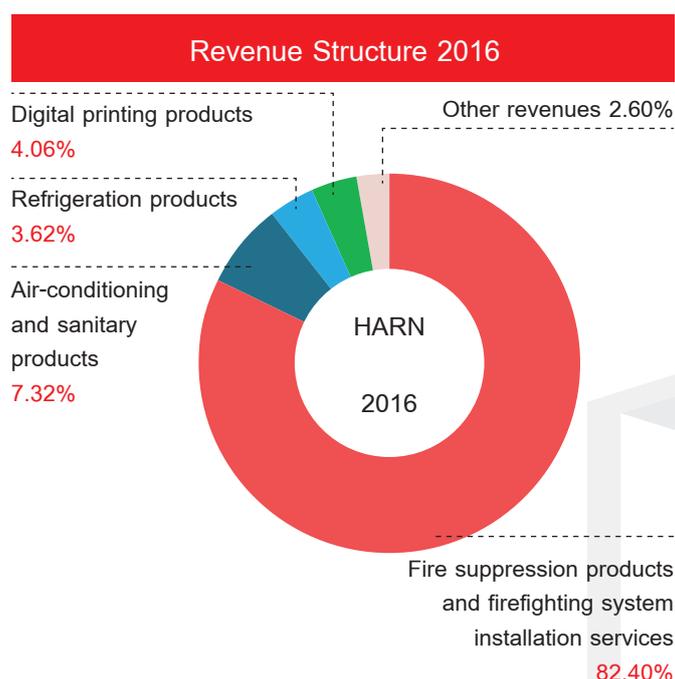
- 2015
- The Company was appointed as a distributor of SIEX gaseous fire suppression products, Kingdom of Spain.
 - The Company expanded distribution its market to neighboring countries, such as Kingdom of Cambodia.
 - The Company set up a project sales department for petrochemical products to increase distribution channels for full-scale fire protection systems in heavy industrial zones.
 - The Company upgraded its ERP (Enterprise Resource Planning Application) with SAP in specific to manage its business processes by linking all sub systems into one, streamlining the processes, and producing timely and most accurate financial reports to enhance data analysis and decision making.
- 2016
- November 1, 2016 the 1 Extraordinary Meeting of Shareholders is of the opinion to buy and receive the business transfer of Chillmatch Co., Ltd and its subsidiaries under the entire business transfer process and signing in all related contracts. To this, the Company paid for the business transfer with the Company's common stocks from the increased capitals of 234,500,000 stocks at the value of 0.50 Baht per stock. The value of increased capital in common stock was at 2.62 Baht per stock. The Company will issue the common stock for the capital increase at 234,500,000 stocks at 0.5 Baht per stock to the shareholders of Chillmatch Co., Ltd instead of paying with cash.
 - November 2, 2016 the listed company had changed the name from Fire Victor Public Company Limited to Harn Engineering Solutions Public Company Limited and changed the Company's assets abbreviation from "FIRE" to "HARN" in the Stock Exchange of Thailand (effective on the November 7, 2016) in order to support the entire business transfer of Chillmatch Co.,Ltd and its subsidiaries, following the resolution of the 1st Extraordinary Meeting of Shareholders.



8. The Company's revenue structure

Type of Revenue	2016 ¹⁾		2015		2014	
	Baht Million	%	Baht Million	%	Baht Million	%
Revenues from sales and services						
1. Fire suppression products and firefighting system installation services	546.09	82.40	525.96	90.23	537.64	92.15
2. Air-conditioning and sanitary products	48.53	7.32	41.58	7.13	34.40	5.90
3. Refrigeration products ²⁾	23.97	3.62	-	-	-	-
4. Digital printing products ³⁾	26.93	4.06	-	-	-	-
Total revenues from sales and services	645.52	97.40	567.54	97.36	572.04	98.05
Other revenues⁴⁾	17.20	2.60	15.41	2.64	11.39	1.95
Total revenues	662.72	100.00	582.95	100.00	583.43	100.00

- Notes :
- ¹⁾ Referring to Harn Engineering Solutions PCL.'s audited financial statements
 - ²⁾ Sales of Refrigeration products has been recognized since November 29, 2016
 - ³⁾ Sales of Digital Printing products has been recognized since December 1, 2016
 - ⁴⁾ Other revenues include gains on foreign exchange, gains on sales of properties, interest income, gains on sales of securities, income from goods and property insurance compensation, and business supporting service revenue etc.



9. Industry and Competition Overview

1. Industry Overview and Competition

The Company has engaged in import and distribution of Fire Suppression products, Refrigeration products, Air-conditioning and Sanitary products, and Digital Printing products for industrial use, as well as provision of consulting, designing and installation services for fire protection systems in projects. Most of its products, which are relevant to building engineering such as fire protection, air-conditioning, sanitary and cooling systems and account for more than 50% of its total sales revenues, are supplied mainly to contractors of building construction projects, government sector projects or factory buildings, including office buildings, condominiums, hospitals, shopping malls, electric trains, industrial plants, cold storages, and so on. As such, the Company's business operation relates directly to the construction industry which grows in tandem with the country's economy, or gross domestic product (GDP), but is prone to more volatility. That is, when the economy begins to recover, construction of various properties will expand at a greater and more rapid pace, but in the wake of economic slowdown it will decelerate faster and in line with the permitted areas of construction in each year.

The overall picture of the economy, the gross domestic product (GDP) of the Thai people in 2016 had expanded approximately 3.3% which is better than 2015 where the expansion was at 2.8%. The value of exports has not yet recovered from the slowing down of the World's economy and the fluctuation of the oil prices. The Thai household debt is still high from the deceleration of the housing market in the previous year. This leads to most of the lands developers bringing back housing projects which were on hold to resell but at the same time slowing down on the brand new properties. This situation has resulted in an adjustment between the supplies and demands of the housing market. However, the developers need to maintain the growth of the market continuously in the future; therefore, they still plan to debut new housing projects in order to achieve revenue recognition. The Kasikorn Research Center (K-Econ Analysis of 13/1/2017) had stated that "Newly established housing projects in Bangkok Metropolitan Region in the year 2017 is estimated to be at 107,000 - 109,000 units which expanded 5-7% when compared to the year 2016".

However, 2017 is the year that the real estate developers will face many challenges in terms of selling housing projects, since the interest rates in 2017 is still expected to rise, reflecting the limitations for accessing the loans for houses, including the burden increase on the interest rates for current buyers who are still paying mortgage installment. Moreover, the real estate developers must consider new promotional strategies from originally coordinating with financial institutions in allowing mortgage installments with low interest rates or 0% interest rates in a limited time. The said situation is a factor influencing the decision to buy houses in the year 2017. It is expected that leftover housing projects at the end of 2017 will expand 4-8% when compared to the end of 2016.

In 2017, the competition in the housing market will be fiercer in the lights of new challenges from the purchasing power of the customers which have not yet recovered. This leads to major developers and groups with large capital funds using this advantage to expand their businesses such as residential projects management, develop mixed-use projects in order to distribute the revenue in various forms, for example, from project management fees or rents. As for the medium sized real estate developers, the joint venture with foreign entrepreneurs is what increasing their abilities to compete.

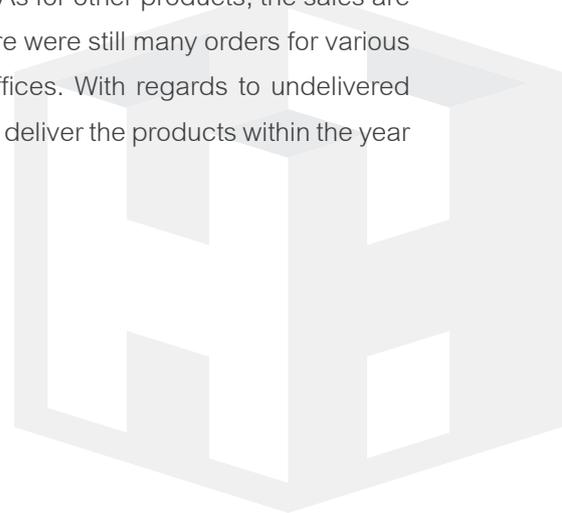
There are many risk factors, for example, the government's investment policy and the development of the Country's basic infrastructure which will affect the growth of the construction industry and also external factors such as the recovery of the World's economy because this affects the investment activities in Thailand by foreign investors. The overall picture of the construction industry in 2016, the government sector will proceed with the projects from the year 2015 so that they will be finished on time following the increased budgets spending in 2016. As for the private sector, there are positive factors from the benefits of the New Growth Engine 10, the targeted industrial groups which will continue further to drive the constructions of the governmental projects.

Other than that, the Company distributes the products for building engineering systems and packaging products for the customers in the industrial factory groups and directly to end users. This is considered 35-40% of the products which are warehouse industry and temperature control transportation, food and beverages industry, construction industry and construction equipment, electrical industry and electronics. The operation of the business ties to the growth of the said industries to a certain extent.

Fire Extinguisher Business

Industrial Factories Fire Extinguisher : The sales of fire extinguisher installations for industrial projects are still facing slow recovery of projects. In 2016, there were not many new factories being constructed which resulted in high completion in the market. This made it difficult to maintain the same level of profit. However, the sales of gas extinguish system has a clear upwards trend and the Company has acquired many new projects for both the FM200 system and the Novac1230 system, including the Nitrogen extinguish system and the CO2 extinguish system and also the new products in the fire alarm categories and also the High Sensitive Smoke Detector System. As for the extinguish system inspection services, the growth is slow but steady according to each projects that the Company operates.

Air Conditioning System and Fire Extinguisher Equipment : Overall, the sales is still on the same level as last year with a slight growth from the sales of the air conditioning system with the new product, the valve control in the air conditioning system. In 2017, due to the merger, new copper pipe product was introduced into the air conditioning system section which is believed to help increasing the sales. As for other products, the sales are rather stable, in accordance with the demands of the market. However, there were still many orders for various projects such as office buildings, hospitals, hotels, condominiums and offices. With regards to undelivered products, there are still many major projects that the Company will gradually deliver the products within the year 2017.



Extinguisher System for Petrochemical and Power Plant Projects : In terms of the petrochemical and power plant projects, within the past year, the Company had sold products in the “safety” category. In 2017, there is likely to be additional orders for new projects. Moreover, there will be sprinkler system installation works in the factories for the industrial sector and the follow up work with large power plant projects and many petrochemical factories have begun to invest more since the oil prices in the World’s market had increased.

Refrigeration System Business

In the previous year, the refrigeration system business had been growing continuously for projects relating to cold storage room for agricultural products and frozen food processing factories since the agricultural products in other provinces still have high potential to grow, such as frozen fruits and durian.

As for the frozen and processed chicken industry which had seen continuous growth is due to an increase in exports from the main trading partners because the countries just as Japan and the EU had abolished the policy on halting the imports of frozen chicken from Thailand. Moreover, there has been a significant increase in the exporting market, especially in the Asia and the Middle East. The World’s demands for chicken consumption are also steady, especially during this time where the World’s economy is very uncertain since chicken is cheaper than other kind of meat. In addition, the solutions to poultry diseases in many chicken producing countries are still slower than Thailand with many cases of the diseases resurfacing, which lead to the positive demands in importing processed chicken from Thailand more.

Other relating markets such as food processing and instant food have seen an expansion in growth due to the lifestyle of the consumers in the present that prefer to consume frozen food more. The main supporting factor is the change in the lifestyle to be more adaptive to the city life. This creates the demands for instant food which is ready to be consumed, in order to reduce the time needed to prepare and cook. Additionally, the entrepreneurs have advertised well and create better understanding of the products to the consumers more. The expansion in the said growth had created distribution centers for entrepreneurs in the supermarket groups which show the continuous growth of this industry. At the same time, the convenience store group is still able to maintain branches expansion according to the goals set at the beginning of the year in order to support the growth of urbanization in large cities.

The economic situation after the founding of the ASEAN Economic Community (AEC) has been another factor influencing the demands of the cold storage and the temperature control system for both medium sized industries and large industries, to which the producers have also adjusted by developing new products and increase more channels for sales.

The domestic fishing business still has yet to recover, after being affected by illegal, unregulated and unreported fishing (IUU Fishing). Moreover, the result of Thailand’s rights for Generalized System of Preferences (GSP) had been revoked by Europe, meaning that shipping tax must be paid, including fishing products which is processed ingredient for exporting into Europe as well. From this issue, the entrepreneurs hold off on investing more which led to a slowdown in the sales for refrigeration system on fishing boats and other related equipment.

Digital Printing Business

The main target groups of the Company's digital printing products are industrial factories and end-users. Printing on packages is one of the crucial steps in manufacturing process of industrial plants, encompassing the printing of expiry dates or lot numbers or texts on products and packages before distribution. The target customers also include newly opened factories, factories with production line expansion, and factories needing to replace the existing system and products that have depreciated according to their useful life. The Company currently sells digital printing products to a broad variety of industries since there is demand for such products in all industry sectors. The industries that are major end-users of its products are food and beverages, consumer products, construction, electrical appliances and electronics, etc. Hence, the trend of digital printing products relates closely to the private sector investment index and the industrial factory construction value, which could mirror the overall situation of all industries.

2. Competition

Importing and distributing fire extinguisher products has medium level of competition. This is because the products are concerned with safety; therefore the equipment must be of good quality with certified international standards. The core competitors of the Company are companies that distributes the products from overseas in which the numbers are not very high, since there are only a limited numbers of products which are accepted worldwide. Also, most of the producers have the policy of dealing with only one distributor, or appoint few representatives in order to prevent inside competitions between the distributors. However, there are about 4-5 direct competitor who imports fire extinguisher products for the buildings and factories market. In some cases of the business operation, the competitors may become the trade partners in buying products from the Company as well. When considering the market share of the Company by comparing with the revenue of the 3 main competitors who holds approximately 80% of the market share, the Company owns about 25% of the market share.

Servicing contract projects, designing, supplying, installing and testing the fire extinguisher system has few competitors. This is because installing the fire extinguisher system requires specialize skills of design engineer. The main competitors are the group that distributes and contract the fire engineering projects. This business still has the potential to grow since the government had issued the stricter law to prevent fire including the renovation of buildings and factories in accordance with the Thailand Building Control Act B.E. 2535, resulting in higher demands for goods and services relating to the fire extinguisher system.

Importing and distributing products for sanitary and air conditioning system have fierce competition. There are many companies in the market both large and small and with a variety of brands that are widely accepted. However, since the size of the market is large, there are many distributing channels to the customers. The Company has the advantage of selling various products that are well known in the market and can reach both general customers and contractors equally.



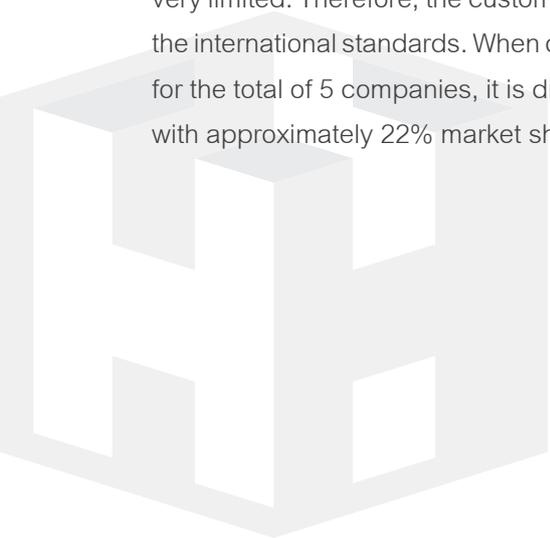
Importing and distributing products for refrigeration system in 2016 had faced high level of competition following the growth of the food, food processing and frozen food industries, since Thailand still remains to be the country with high food producing capacity from the fundamental basis of agriculture and fishing and with advance technology under the international standards. The relating businesses that had been growing together are convenience stores which face fiercer competitions. Presently, Seven Eleven still maintain the position of the distributors with the most branches and continue to grow steadily. At the same time, other competitors are finding new strategies to attract customers and have planned to open more branches such as Family Mart, Mini Big C, Tesco Express, etc. However, in the year 2017, it is expected there will be 1-2 new competitors who focuses mainly in opening shops in 3-4 commercial buildings, petrol stations or the 500 square meters convenient stores with the target of operating 100 branches within 2017 and increasing to 1,000 stores in the next 5 years.

There are opportunities for business expansion due to the supporting factors from entering the AEC, which will create regional trade and investment connections, and also follows by the connection between the supply chains, for example, convenience stores in Myanmar which had been growing rapidly in the past 4-5 years since some brands had already been expanded by investors from the modern trade market such as the supermarket and the hypermarket within the country while some other brands had joint ventures with foreign investors such as Singapore, Thailand and Malaysia.

Encourage new trading routes for the transportation of goods, for example, transporting fruits and vegetables from China to Thailand through the R3A in Chiang Rai and all the way to Talad Thai and Iyara Market which will help the growth of the food business, restaurants and the storage and transportation business that has controlled temperature as well.

As for the fishing industry, there are still problems that had been affecting the refrigeration business, both the illegal labor and the IUU fishing from the countries in the European Union which makes it difficult for business owners to invest or expand their productions further.

Importing and distributing digital printing system has seen medium level of competition. This is because the customers emphasize more on good after sales services and the readiness of after sales staffs, inventories, and spare parts that the customers need to use regularly. Most of the goods sold are well known brand with high quality and had been appointed to solely be the distributor. The revenue structure can be divided into 3 categories; 1) The revenue from selling the machines 2) The revenue from selling supplies 3) Revenue from spare parts, services and servicing contracts. The main competitors are companies that are the distributors of the products from foreign countries which there are not many since the brands that are accepted worldwide are very limited. Therefore, the customers in the medium and large size factories will mainly choose the brands with the international standards. When comparing the revenue of the digital printing business with 4 other competitors for the total of 5 companies, it is discovered that the Company's market share is among the top 3 in the market with approximately 22% market share (Source: Department of Business Development).



The Company plans to expand its investment into other ASEAN countries such as the Republic of the Union of Myanmar and Cambodia. These are countries with rapid growth in the basic infrastructures and many construction projects in which the Company had become the main distributor for the said countries in the same way that is distributed in Thailand or the Company can hire the local staffs to proceed with marketing campaigns. When the sales are at the satisfactory level, then the Company can invest, find locations for the main office and other necessary materials. However, since the Company is one of the complete solution building engineering products distributors, this allows the Company to have the edge in presenting the products and services in the targeted countries, including being able to manage the costs of business expansion in the targeted countries more efficiently as well.

3. Environmental Impacts

- None -

4. Undelivered Works

As of December 31, 2016, there were a total of works not yet delivered 399 million, comprising the installation works of fire protection system, e.g. installation of fire extinguishing system for power plant, installation of sprinkler, system foam fire protection system and petrochemical system, there were a total of 32 contracts with a total contract value of Baht 51 million. Outstanding value as of December 31, 2016 was Baht 348 million. Delivery of such works is expected from 2017.



10. Risk Factors

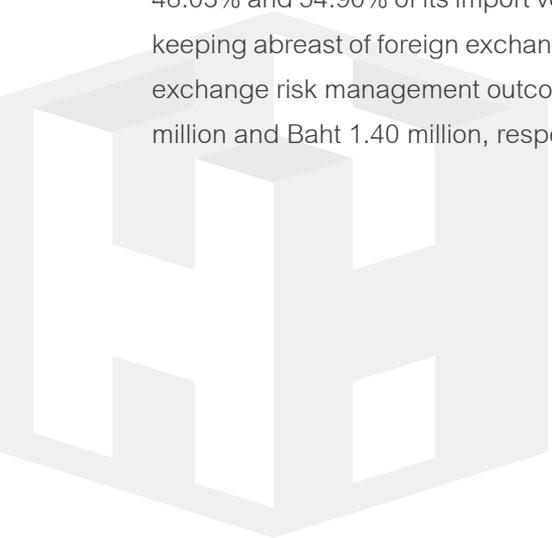
The Company determines to continuously develop its Risk Management for realizing its business risk complexity and severity from both internal and external factors. In order to ensure sustainable development, it is essential to lay down solid foundation of risk management that will sufficiently prevent and reduce our exposure from the variation of risk factors. The Company has adopted Risk & Control Self-Assessment (RCSA) to help us analyze the risk factors and identify dominant ones. So on to come up with measures that will not only soften the impact but also prevent them to happen. We have also identified risk indicators to monitor as well as those who are responsible for each individual measure in order to ensure that our business will reach its goals in the direction we have set forth. Our risks can be illustrated as the followings:

Operation Risks

1. Exchange rate risk

The products distributed by the Company are mainly imported from abroad. Its import volume in 2015 and 2016 made up 68.72% and 77.49% of total volume of product procurement respectively. Price offer and payment for products are primarily denominated in US dollar currency while the products are almost entirely for local distribution. In some cases, the Company is unable to promptly adjust product prices upward in line with the rising cost and is thus vulnerable to foreign exchange fluctuation, which will further affect its costs of products and gross profits.

Well aware of such impact, with the exchange rate management policy, the Company has executed forward contracts with financial institutions to provide hedging against such risk. The contract value covers all existing foreign trade account payables. The Company will consider buying foreign currency in advance according to the total sums of the invoice for each purchase and also continuously monitor the trend in the change of the currency for the purpose of evaluation and to manage the risks from the exchange rate closely. As of December 31, 2016, the total value of forward contracts between the Company and financial institutions was in Thai Baht and US dollar, totaling Baht 363.00 million and USD 3.0 million, respectively. The Company has a policy to make forward contract during the period of foreign exchange volatility within the prescribed limit. In 2015 and 2016, the Company began advance purchase of foreign currency totaling Baht 130.15 million and 255.90 million, or 48.03% and 54.90% of its import volume. Furthermore, the Company managed its exchange rate risk by always keeping abreast of foreign exchange movement, resulting in only minimal risk exposure as can be seen from its exchange risk management outcome in 2015 and 2016 which recorded foreign exchange gains of Baht (0.55) million and Baht 1.40 million, respectively.



In addition, if foreign exchange rates change to the level that leads to sharp increase in its cost, the Company will revise its selling prices based on market conditions with prior notice thereof to its customers. The Company also keeps a stock of products to accommodate product distribution in advance. Therefore, foreign exchange volatility does not have any significant impact on the revenues and costs of the Company.

2. Risk from loss of distributorship status

The Company is a distributor of valves and equipment for fire protection system, sanitary system and air-conditioning system including the products that purchase and transfer of the Entire Business from Chillmatch Co., Ltd and its subsidiary with a diverse range of products under world-class brands. The top three brands with highest sales volume altogether made up about 36.66% and 36.80% of its total sales in 2015 and 2016 respectively. As such, a loss of its distributorship right to the significant brands could affect its sales.

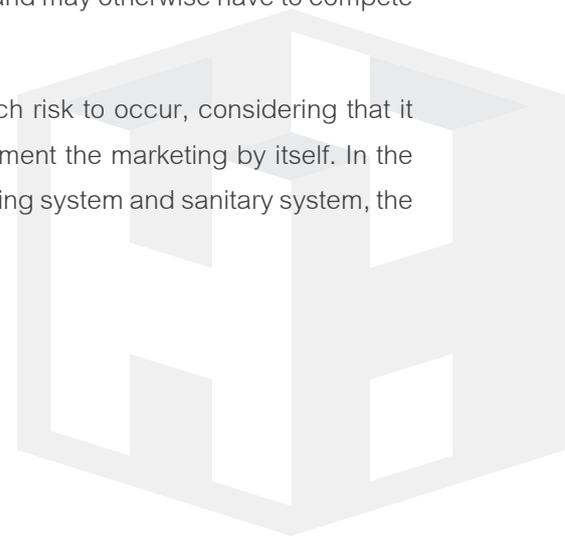
Having distributorship authorization is highly essential to the Company's business. There are two types of distribution authorization, i.e. with expiration and without expiration. However, for most of the brands distributed by the Company, it has not yet officially entered into distributorship contract with the brand owners. The Company is thus exposed to risk if its distributorship is revoked or its distributorship contract has been terminated under whatever circumstances, for example, trade partner entering joint venture with another company or trade partner discontinuing business, etc. In whichever case, there may be negative impact on the Company's sales. Since 2011, the Company's brands had never been revoked since being authorized as the distributor. However, in view of our experience in this business and longstanding relationship with brand owners, its distribution coverage of over 60 brands, good service quality, and good relationship with customers, as well as a large customer base of over 1,000 customers, the Company is confident that if it loses distribution authorization of any brand, it will be able to secure alternative brand to satisfy the market demand. The Company has also developed its house brands for some product items to mitigate risk of dependence on other brands.

In addition, throughout the past years, the Company has honored all trade terms and conditions as agreed upon and as trusted for being distributor of the respective brands. This can be witnessed from its continuously rising growth of sales. Coupled with its efficient distribution channels, a strong sales team and distributorship of brands that allows it to achieve ongoing growth of sales, the Company is confident that brand owners will continue to assign the Company as their distributor through the years ahead.

3. Risk from brand owners implementing marketing by themselves

If a foreign brand owner wishes to operate business in Thailand without dependence on the Company, the Company could risk losing its distribution authorization for any such brand and may otherwise have to compete with that brand owner.

Nonetheless, the Company believes that there is a slim chance for such risk to occur, considering that it is not worthwhile for the brand owner to make such investment and implement the marketing by itself. In the distribution of valves and equipment for fire protection system, air-conditioning system and sanitary system, the



distributor must be able to offer a broad variety of products and comprehensive solutions to satisfy customers' requirements. Customers prefer convenience in ordering products from the distributor who has all products to completely serve their needs. Over the past years, some brand owners from abroad assigned their subsidiaries to directly operate on their behalf, but they failed, so they have switched back to the original distribution method through distributors.

4. Risk associated with product procurement and inventory management

The Company sells more than 13,000 product categories and therefore needs to properly control its inventories to fit with its current sales activities. It must have a stock of products available for selling or meeting customers demand promptly and sufficiently. Failure to do so could result in a loss of sales or opportunity for subsequent sales. At the same time, some product items that have long been kept in stock could become obsolete and then incur extra stock cost.

The Company is aware of such risk and has accordingly devised product procurement plan that matches its sales target. Both sales unit and procurement unit have jointly made product procurement and established procurement plan in advance. The procurement unit is responsible for fast and correct product procurement and close follow-up of suppliers to ensure punctual delivery to timely meet customers' demand.

For inventory management, the Company has proportionately allocated storage space for each type of products and assigned staff to systematically control the storage and disbursement thereof. It also employs a modern warehouse management system for stock control, accurately and rapidly recording details of products and check outstanding stock at any time. This allows the Company to satisfy each customer's needs in a timely manner and gain trust from its customers through accurate and punctual service. Furthermore, the Company conducts monthly cycle counting for inventory counting to prevent risk of inaccurate disbursement of products and build confidence among customers through its accurate inventory management.

5. Human Resource Risk involves the lack of man power as well as the lack of competency to support the realization of our vision

The Company has reviewed its organization structure and required human resource plan. We have improved our recruiting effectiveness by enhancing the recruiting channels. In addition, we have identified human resource development plan according to our vision and mission as well as to constantly communicate among executives to ensure successors as needed. All along, we have stimulated our staff and management of the future goals and so they can accelerate self-development. Towards the end of year 2016, the Company received the entire business transfer of Chillmatch Co.,Ltd. and Q II S Co.,Ltd. which resulted in an increase in the Company's employees and an improvement in human resource management efficiency since the transferred company has a similar business and the salesperson with fundamental knowledge of mechanical engineering and environment as the core business. Moreover, the employees in the administration can support the current Company as well.

6. Risk from impairment of goodwill

The Company has to record goodwill from a fair value of the consideration for the purchase and acceptance of entire business transfer of net assets of Chillmatch Co., Ltd. and its subsidiary, which is higher than a fair value of Chillmatch Co., Ltd. and its subsidiary as of the date of issuance of new ordinary shares as a consideration for the said entire business transfer. In this respect, the auditor will conduct an impairment test in every year and set aside an allowance for impairment loss (if any). The Company may therefore be exposed to risk in case the auditor considers that the goodwill is impaired and such impairment will then affect its income statement with regard to net profit, equity and debt to equity ratio.

Since the original Executives of the refrigeration system business and the digital printing business still hold the position of the Managing Directors of each respective business in the Company, including the sales and servicing team are still continuously servicing the customers. The addition of the said business increases the opportunity in creating sales for the customers in the similar group completely. The Company is confident that the growth will be continuous and will earn enough free cash flow from the operation.



11. Shareholder structure

The Company has a registered and paid-up capital of Baht 292,250,000 divided into 584,500,000 ordinary shares with a par value of Baht 0.50 per share.

Major shareholders of the Company as of December 31, 2016 are as follows :

No	Names of shareholders	No. of shares held	%
1	Mr. Wirat Sukchai	86,807,809	14.85
2	Mr. Jain Charnnarong	84,091,640	14.39
3	Nice Noble Limited	73,316,475	12.54
4	Mrs. Sirima Iamsakulart	63,845,441	10.92
5	Miss Nopporn Charnnarong	28,875,144	4.94
6	Mr. Wasan Nantakhwang	28,140,000	4.81
7	Mr. Thammanoon Tripetchr	20,842,442	3.57
8	Miss Panatda Thongliam	14,832,149	2.54
9	Mrs. Noppharat Sukchai	13,000,000	2.22
10	Mr. Pracha Phromphornchai	11,153,572	1.91
11	Mr. Vinyoo Nana	10,621,500	1.82
12	Mr. Chaivat Taepaisitphongse	9,550,000	1.63
13	Mrs. Valeeratn Chuerboonchai	8,446,518	1.45
14	Miss Tarada Tripetchr	7,504,024	1.28
15	Miss. Urairat Harnthaweeapat	6,808,097	1.17
16	Mr. Parkphum Wongpaitoon	5,410,325	0.93
17	Mrs. Chuanpis Chaimueanvong	4,145,000	0.71
18	Mr. Rattanaphan Mukhariwattananon	3,499,982	0.60



Table summarizing change in shareholding proportion of the Board of Directors and top executives of the Company as of December 31, 2016 :

No	Names of directors/executives		December 31, 2015	December 31, 2016	Increase (Decrease)
Board of Director					
1	Mr. Wirat	Sukchai	86,392,790	86,807,809	415,019
2	Mrs. Valeeratn	Chuerboonchai	6,003,127	8,446,518	2,443,391
3	Mrs. Sirima	Iamsakulrat	35,067,520	63,845,441	28,777,921
4	Mr. Parkphum	Wongpaitoon	4,038,000	5,410,325	1,372,325
5	Mr. Thakol	Nunthirapakorn ¹⁾	-	-	-
6	Mr. Sothitorn	Mallikamas ¹⁾	-	-	-
7	Miss Voranuch	Supaibulpipat ¹⁾	-	-	-
8	Mr. Supot	Tiarawut ¹⁾	-	-	-
9	Mr. Wasan	Nantakhwang	-	28,140,000	28,140,000
10	Mr. Thammanoon	Tripetchr	4,926,580	20,842,442	15,915,862
Top Executives					
1	Mrs. Varinkan	Teraumranon	1,130,406	1,196,593	66,187
2	Mr. Wisit	Wachiralappaitoon	-	139,646	139,646

Remark : ¹⁾ Independent Director

Shareholder structure by nationality

Shareholder structure as of December 31, 2016 which is the latest book closing date of the Company is as shown below :

	No. of shareholders	No. of Shares held	%	Juristic person			Individual person		
				No. of shareholders	No. of shares held	%	No. of shareholders	No. of shares held	%
Thai									
shareholders	2,057	510,533,525	87.35	5	2,323,680	0.40	2,052	508,209,845	86.95
Foreign									
shareholders	2	73,966,475	12.65	1	73,316,475	12.54	1	650,000	0.11
Total	2,059	584,500,000	100.00	6	75,640,155	12.94	2,053	508,859,845	87.06

12. Dividend Policy

The Company has a policy of paying dividend at not less than 40% of net profit after income tax and reserves of all types as required by law and according to the separate financial statements. Dividend payment depends on the Company's cash flow, adequacy of working capital in business operation, investment plan, loan repayment, terms and conditions the agreements binding the Company, legal restrictions, and other circumstances as necessary and appropriate in the future.

The Board of Directors resolution on dividend payment shall be subject to the approval of the shareholders meeting, unless it is interim dividend which the Board of Directors shall have the authority to approve from time to time when it considers that the Company has sufficient profit to do so as appropriate. In such case, the interim dividend payment shall be submitted to the next shareholders meeting for information.

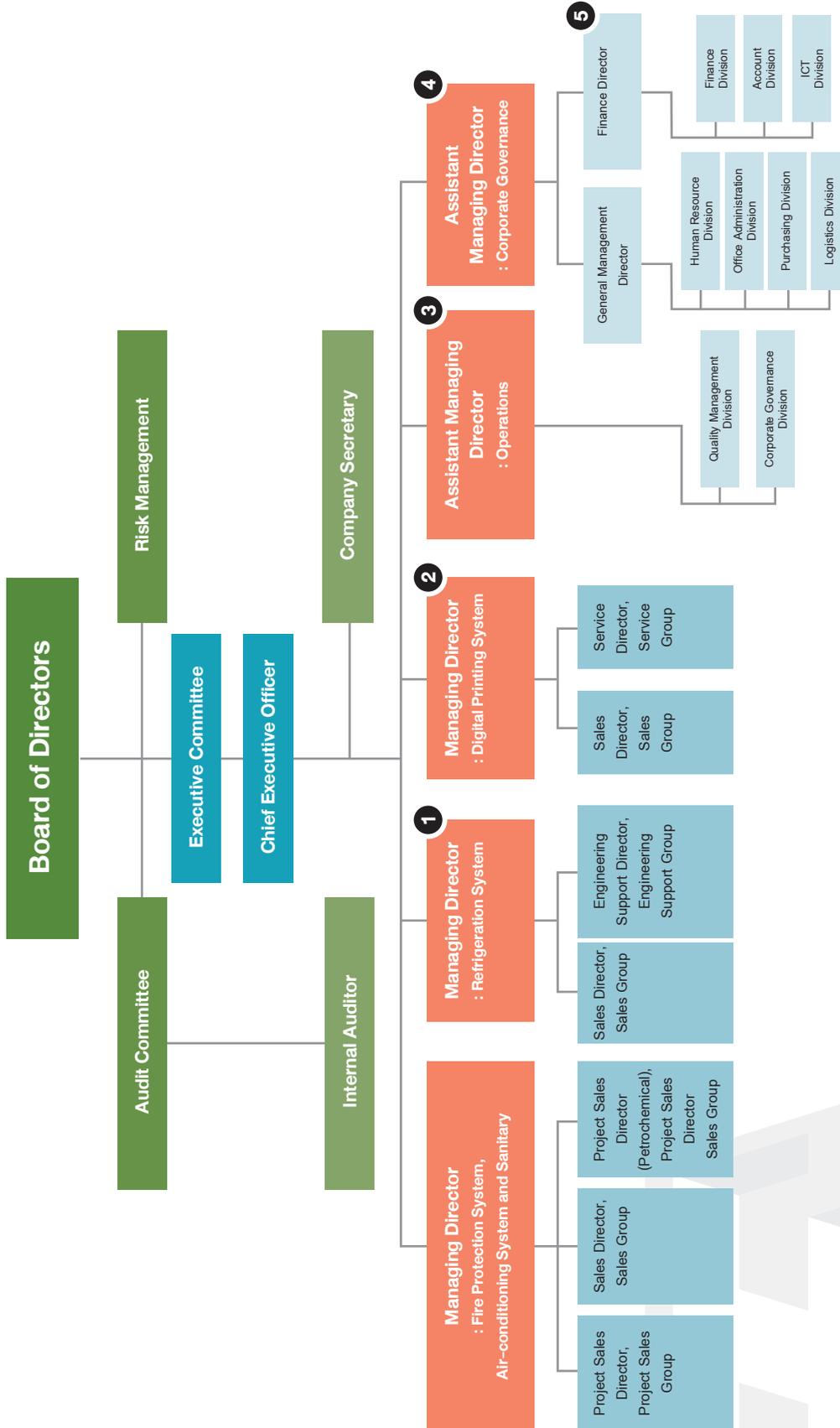
Dividend payment	2016	2015	2014
Interim dividend payment (Baht per share)	-	-	-
Annual dividend payment (Baht per share)	0.09	0.10	0.15
Stock dividend (Baht per share)	-	-	-
Earnings per share (Baht)	0.11	0.13	0.25
Dividend payout ratio (%)	81.82	76.92	60.00
Par Value (Baht per share)	0.50	0.50	0.50
Totaling ordinary shares (Share)	584,500,000	350,000,000	350,000,000

- Remark :**
- The 2016 dividend payment of Baht 0.09 per share paid from net profit of 2016 and retained earnings being submitted to approval at the 2017 Annual General Meeting of shareholders.
 - Individual ordinary shareholders may request a tax credit at rate of 20/80 of the dividend payment pursuant to the guidelines set forth in Section 47 bis of the Revenue Code.



13. Management Structure

Organization Chart



Note : Management no. 1 - 5 is Company executives according to the Notification of the Securities and Exchange Commission

The Management Structure of the company comprises of

- The Board of Directors
- The three Board-Committees supporting the consideration and important issues as assigned by the board of Directors : the Audit Committee, the Executive Committee and the Risk Management Committee Composed of qualified individuals under Section 68 of the Public Companies Act B.E. 2535 (1992) (as amended) and the Securities and Exchange Act B.E. 2535 (1992) (as amended)
- The management with the Chief Executive Officer as the highest executive of the Company

1. Board of Directors

As of December 31, 2016, the Company's Board of Directors is currently composed of ten members as follows :

No	Name	Position
1.	Mr. Thakol Nunthirapakorn	Chairman of the Board, Chairman of the Audit Committee Independent Director
2.	Mr. Wirat Sukchai	Directors, Member of the Executive Committee Member of the Risk Management Committee
3.	Mrs. Sirima Iamsakulrat	Directors, Chairman of the Executive Committee
4.	Mrs. Valeeratn Chuerboonchai	Directors, Member of the Executive Committee
5.	Mr. Parkphum Wongpaitoon	Directors
6.	Mr. Wasan Nantakwang	Directors, Member of the Executive Committee Member of the Risk Management Committee
7.	Mr. Thammanoon Tripetchr	Directors, Member of the Executive Committee Member of the Risk Management Committee
8.	Mr. Sothitorn Mallikamas	Independent Director, Member of the Audit Committee
9.	Miss Voranuch Supaibulpipat	Independent Director, Member of the Audit Committee
10.	Mr. Supot Tiarawut	Independent Director, Chairman of the Risk Management committee

Note : * The Extraordinary General Meeting of Shareholders No.1/2016 on November 1, 2016 resolved to appoint Mr. Wasan Nantakwang, Mr. Thammanoon Tripetchr as the Directors and Mr. Supot Tiarawut as the Independent Director

** The Company's Board of Directors at its meeting no. 6/2016 on November 11, 2016 resolved to appoint Mr. Wasan Nantakwang, Mr. Thammanoon Tripetchr as the member of the Executive Committees and Risk Management Committees and Mr. Supot Tiarawut as Chairman of the Risk Management Committees effective from December 1, 2016.

Mrs. Varinkan Teraumranon is the Company Secretary.

The Company has 4 Independent Directors and 3 Audit Committee members which makes the Company's Board of Directors shall have at least three Independent Directors representing no less than one-third of the total number of directors, and shall have at least three Audit Committee members. Each Independent Director and Audit Committee member must have qualifications that completely fulfill the requirements stipulated by the Notification of the Capital Market Supervisory Board No. Thor.Jor. 28/2551 regarding application for and Approval of Offer for Sale of Newly Issued Shares (and the amendments).

Authorized Directors as the Company's Signatories

The Extraordinary General Meeting of Shareholders No.1/2016 on November 1, 2016 resolved to approved the name and number of authorized directors of the Company as follow Mr. Wirat Sukchai, Mr. Wasan Nantakhwang, Mr. Thammanoon Tripetchr, Mrs. Sirima Iamsakulrat and Mrs. Valeeratn Chuerboonchai Two of the five directors, shall jointly sign on behalf of the Company with the Company seal affixed.

Term of Office of the Board of Directors

At every annual general meeting of shareholders, at least one-third of the total number of directors shall retire by rotation. In the event that the number of directors due to retire cannot be divided by three, the number nearest to one-third shall retire. In the first and the second year following the Company's registration, the retirement of directors from office shall be determined by ballot drawing. In the subsequent years, directors having served the longest shall retire. The retired directors may be re-elected.

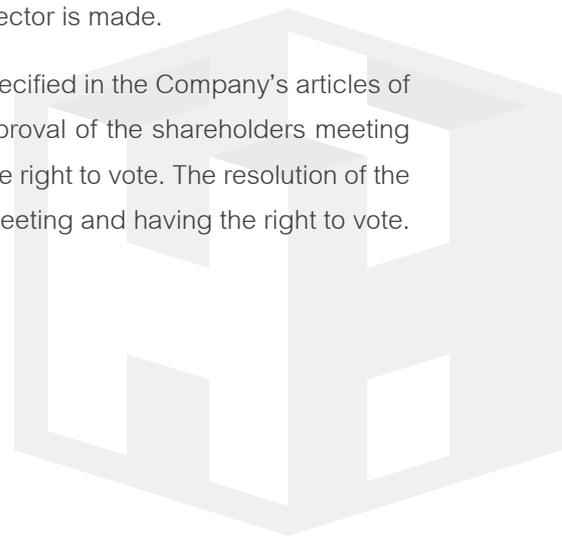
The Nomination / Remuneration / Termination of Directors

The Company has no Nomination and Remuneration Committee to select and nominate qualified candidates to assume the positions of directors. However, it has a procedure in place to nominate directors in that major shareholders and/or representatives thereof, competent officers in the relevant function lines, directors, and independent directors jointly consider and nominate qualified, potential and experienced candidates, with due regards to skills and experience considered necessary for the Company's business operation, as follows:

Board of Directors

1. Director shall have knowledge, competency and experience beneficial to the business operation; have integrity and business ethics in running business; and dedicate sufficient time to full contribution of his skills and knowledge to the performance of his duties.
2. Director shall have full qualifications and possess no prohibited characteristics pursuant to the Public Limited Companies Act, and the securities and exchange law, as well as have no sign of inappropriateness for being entrusted to manage the business of the public company as specified by the Securities and Exchange Commission (SEC). The director shall also be in the director and executive list of the securities-issuing company in accordance with the Notification of the Capital Market Supervisory Board regarding the criteria for recording of the name list of directors and executives of securities-issuing company.
3. Director may not conduct any business of the same nature as and in competition with the Company's business, and not be a partner or director of any juristic entity of the same nature as and in competition with the Company's business, whether for own benefits or for those of others, unless the shareholders meeting is informed thereof before the resolution to appoint such director is made.

Selection and nomination of directors shall conform to the procedure specified in the Company's articles of association. The appointment of such directors shall be subject to the approval of the shareholders meeting with majority votes of the shareholders attending the meeting and having the right to vote. The resolution of the meeting shall be based on the majority of the shareholders attending the meeting and having the right to vote.



1. The shareholders' meeting shall elect Board of Directors, being composed of at least five members, to take charge of administering the overall business of the Company and performing duties within the scope prescribed by law, the Company objectives, Articles of Association and resolutions of the shareholders' meeting, as well as conducting any acts stipulated in the Memorandum of Association or other relevant acts. Directors may or may not be shareholders of the Company.
2. At least half of the total number of directors shall have domicile in the Kingdom of Thailand. All directors shall have full requisite qualifications and have no prohibited characteristics as prescribed by law.
3. The shareholders' meeting shall elect the directors in accordance with the following criteria and procedure:
 - 1) Each shareholder shall have one (1) vote for each share held.
 - 2) Each shareholder shall cast all the votes he has to elect one or several directors. In case of electing several directors, each shareholder may not divide his votes and allocate them to all such candidates in portions.
 - 3) The candidates shall be ranked in order descending from the highest number of votes received to the lowest, and shall be appointed as directors in that order until the required number of directors to be elected is met. Where the votes cast for candidates in descending order are tied, the chairman of the meeting shall have a casting vote.
4. At every annual ordinary general meeting of shareholders, one-third (1/3) of the total number of the directors of the Company shall retire by rotation. If the number of directors cannot be equally divided into three, the number of directors closest to one-third (1/3) shall retire.

Directors to vacate office in the first year and the second year after the Company registration shall be decided by drawing lots. For the years thereafter, the directors having been in office the longest shall retire. The vacating directors may be re-elected.

5. Any director wishing to resign from his office shall submit his resignation letter to the Company. Such resignation shall take effect from the date when the resignation letter reaches the Company.

The director resigning pursuant to the above paragraph may also inform the Share Registrar of his resignation.

6. In case any vacancy occurs in the Board of Directors for reasons other than retirement by rotation, the Board of Directors shall elect a person who has the required qualifications and has no prohibited characteristics under the public limited companies law or the securities and exchange law as a replacement at its upcoming meeting, unless the remaining duration of the vacating director's term of office is less than two months. The replacing director shall hold office only for the remaining term of office of the director whom he has replaced.

The resolution of the Board of Directors under the first paragraph shall be supported by the votes of at least three-fourths of the number of the remaining directors.

7. In case the entire Board of Directors vacate office, all the vacating directors shall remain in office temporarily to carry on the business only for a period of time as deemed necessary until the new Board of Directors take office, unless otherwise ordered by the court in the event of directors vacating office at the order of the court.

The vacating directors shall arrange a shareholders' meeting to elect a new Board of Directors within one month from the date of vacating office. They shall send a meeting notice to the shareholders at least 14 days prior to the meeting and publicize the notice in a newspaper at least three days prior to the meeting date for three consecutive days.

8. The shareholders' meeting may resolve for any director to vacate office before the retirement by rotation with the votes of at least three-fourths of the number of the shareholders attending the meeting and having the right to vote.
9. The Company has invited minority shareholders to nominate candidates who have the qualifications as prescribed in the Securities and Exchange Act and as specified by the Company, to be considered for election of directors of the Company by posting on its website 90 days prior to the shareholders' meeting date through which the shareholders may propose the names and profiles of such candidates to the Company. Based on the Company's criteria, the shareholders eligible to nominate candidates shall hold shares in an aggregate amount of not less than five percent of the total voting shares of the Company.

In 2016 the Company had invited the retail shareholders to nominate qualified persons for election as directors of the Company via www.harn.co.th by 31 December 2016 but no one nominated.

Scope of Power, Duties and Responsibilities of the Board of Directors

The Board of Directors shall have the power, duties and responsibilities in directing the Company's business in accordance with the laws, objectives and the Articles of Association of the Company, as well as rightful resolutions of the shareholders' meeting with honesty, integrity and prudence in the best interests of the Company, the salient points of which are as below :

1. Determine corporate vision, policies, strategies, targets, business plans, annual budget, management structure and delegation of authority, as well as corporate governance policy.
2. Monitor and supervise the performance of the management or any other persons assigned in compliance with the specified policies, plans and budget in an efficient and effective manner, and ensure that the Company's business management is in line with the corporate governance policy.
3. Have power to appoint Executive Committee, Chief Executive Officer, Managing Director and Subcommittees as deemed appropriate, and draw up the scope of power and duties of the Executive Committee, Managing Director and Subcommittees so appointed.

In this regard, the authority delegated under the specified scope of power and duties shall not be in the nature that will enable the Executive Committee, Chief Executive Officer Managing Director and Subcommittees to consider and approve transactions which may have conflict of interest, beneficial interest or any other conflict of interest with the Company or subsidiaries (if any), unless the approval of such transactions is in line with the policy and criteria duly approved by the Board.

The Board's assignment of the Chief Executive Officer, Managing Director or any other person to perform duty on behalf of the Board shall be conducted in writing or clearly recorded as a resolution of the Board meeting in the relevant meeting minutes, with the scope of power and duties of the authorized person clearly specified.

4. Evaluate on a regular basis the performance of the management, and oversee the remuneration payment mechanism for executives and employees to ensure appropriateness.
5. Put in place reliable accounting system, financial reporting and auditing process, and oversee documentation system to facilitate examination of information thereafter.
6. Arrange for the Company's preparation of financial statements that are accurate, exhibiting factual information of its financial status and operating results in the previous accounting period correctly and completely in conformity with the generally accepted accounting principles. The Company's financial statements as of the end of the accounting period must be audited by its auditor before submitting to the shareholders' meeting with report of the Board of Directors' responsibility for the financial reports presented together with report of the auditor in the Annual Report.
7. Ensure the Company has efficient and effective internal control and internal audit systems, comprehensive risk management system and process, effective reporting and monitoring procedure, complaint handling mechanism and actions in case of whistle blowing, and the Company's management process is in line with corporate governance policy.
8. Ensure a clear and transparent process is in place to manage transactions between the Company and related persons to prevent conflict of interest, with correct and adequate disclosure of information and reports to the Board on a regular basis.
9. Ensure continuity in business operation, employee development plan and executive succession plan, and institute effective nomination and succession procedures of directors and senior executives.
10. Consider to approve and/or give opinion on connected transactions, acquisition or disposition of assets, investment and any other businesses of the Company and subsidiaries (if any) in accordance with the applicable laws, notifications, requirements, rules and regulations, unless it is prescribed by law to seek approval from the shareholders' meeting.
11. Safeguard and ensure benefits for major and minor shareholders on a fair and equitable basis, and make available to the shareholders and other stakeholders accurate operational highlight reports and financial reports as prescribed by laws. Directors shall, without delay, notify the Company of his beneficial interests in any of the contracts or agreements made with the Company or of increase or decrease in the shareholding in the Company or subsidiaries (if any). Directors with beneficial interest in any transactions made with the directors or persons who may have conflict of interest or beneficial interest or any other conflict of interests with the Company or subsidiaries shall not be entitled to vote on such transactions.
12. Have power to authorize one or more directors or any other persons to perform any duties on behalf of the Board, subject to the control and supervision by the Board, or to authorize such person to have power as considered appropriate by the Board and for a specified period of time as the Board may deem proper. Such power may be cancelled, revoked, changed or amended as the Board may see fit.

In this regard, such authorization shall not be in the nature that will enable such person to consider and approve transactions in which he or other person may have conflict of interest, beneficial interest or any other conflict of interest in other nature with the Company or subsidiaries (if any), unless the approval of such transactions is in the normal course of business and consistent with general trade conditions or the policy and criteria duly approved by the Board.

Meeting Attendance of the Board of Directors, Board-committees

Meeting Attendance of the Board of Directors, Audit Committees and Executive Committees as below :

Name - Surname	Attendance (Time)					
	2015			2016		
	Board of Directors	Audit Committees	Executive Committees	Board of Directors	Audit Committees	Executive Committees
1. Mr. Wirat Sukchai	4/4		12/12	7/7		12/12
2. Mrs Sirima Iamsakulrat	4/4		12/12	7/7		12/12
3. Mrs. Valeeratn Chuerboonchai	4/4		12/12	7/7		12/12
4. Mr. Parkphum Wongpaitoon	4/4			7/7		
5. Mr. Wasan Nantakhwang* **				2/2		2/2
6. Mr. Thammanoon Tripetchr* **				2/2		2/2
7. Mr. Takol Nunthirapakorn	4/4	4/4		7/7	7/7	
8. Mr. Sothitorn Mallikamas	4/4	4/4		7/7	7/7	
9. Miss Voranuch Supaibulpipat	4/4	4/4		7/7	7/7	
10. Mr. Supot Tiarawut * **				2/2		

Note : * The Extraordinary General Meeting of Shareholders No.1/2016 on November 1, 2016 resolved to appoint Mr. Wasan Nantakhwang, Mr. Thammanoon Tripetchr as the Directors and Mr. Supot Tiarawut as the Independent Director

** The Company's Board of Directors at its meeting no. 6/2016 on November 11, 2016 resolved to appoint Mr. Wasan Nantakhwang, Mr. Thammanoon Tripetchr as the member of Executive Committees and Risk Management Committees and Mr.Supot Tiarawut as the Chairman of Risk Management committees effective from December 1, 2016.

2. Management

The Company's management is composed of six members as follows:

No	Name	Position
1.	Mr. Wirat Sukchai	Chief Executive Officer, Managing Director : Fire Protection System, Air-conditioning system and sanitary
2.	Mr. Wasan Nantakhwang	Managing Director : Refrigeration system
3.	Mr. Thammanoon Tripetchr	Managing Director : Digital Printing Products
4.	Mrs. Valeeratn Chuerboonchai	Assistant Managing Director : Operation
5.	Mrs. Varinkan Teraumranon	Assistant Managing Director : Corporate Governance
6.	Mr. Wisit Wachiralappaitoon	Finance Director

Note : Management no. 2 - 6 is Company executives according to the Notification of the Securities and Exchange Commission

The Nomination / Remuneration : Top Executives

The Company has a policy to recruit top executives by selecting from qualified persons with dependable skills, knowledge, and experience in this business area, in accordance with the Company's human resource management regulations and subject to approval by the Board of Directors or person authorized thereby.

The Board of Directors has selected and recruited a qualified candidate to take office as Chief Executive Officer, Managing Director. Appointment of the Chief Executive Officer and Managing Director shall be subject to approval by the Board of Directors. The Chief Executive Officer or Managing Director is authorized to recruit and employ qualified individuals with required skills, knowledge, and experience in this business area to take office in various positions.

Appointment of head or executive in charge of internal control and audit shall be subject to prior approval by the Audit Committee.

Scope of Power, Duties and Responsibilities of Chief Executive Officer

1. Leading the Policy articulation process as well as the business strategies: both short-term and long-term businesses.
2. To Control and monitoring the Company's overall operating results at strategic and policy level
3. To Support and facilitate the Audit committee to be able to effectively oversee the company.
4. Manage Personal Development Projects that support future growth.
5. Monitor, inspect, control and report overall operating results of the Company to the Board on a quarterly basis.
6. Perform any other duties as assigned by the Board and/or the Audit Committee.
7. Have power to authorize any other person to perform duties on his behalf, and be responsible for any act performed by the authorized person.

Scope of Power, Duties and Responsibilities of Managing Director

Managing Director shall have the power, duties and responsibilities in managing the business of the Company as well as concerned matters and business as assigned by the Board of Directors as follows :

1. Oversee the management of overall operations and approval of matters concerning business operation and/or day-to-day administration of the Company to ensure the best interests of the Company and consistency with the objectives, regulations, rules, orders, resolutions of the Board meeting and annual general meeting of shareholders under applicable laws and the scope of power and responsibilities as assigned by the Board.
2. Work out policies, strategies, targets, business plan and annual budget plan, as well as management structure and delegation of authority within the organization for submission to the Executive Committee for endorsement before seeking approval from the Board.
3. Ensure that the operation or administration of the organization is in line with the approved policies, strategies, targets, business plan and budget plan.

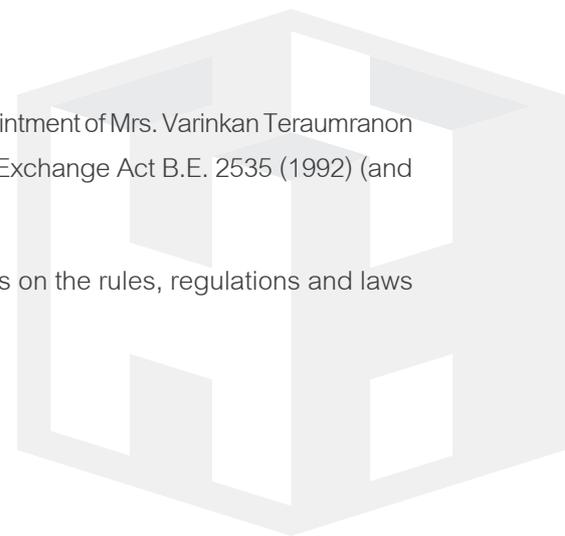
4. Ensure personnel of all work units carry out efficient and effective operation, pursue ongoing organizational and personnel development, and maintain good image of the Company.
5. Have power to appoint, transfer, promote, suspend from work, terminate employment, determine salary or other compensation and gratuity, including determining wage/salary increment and bonus for employees. However, any matters concerning employees in the management level shall be subject to prior consent from the Executive Committee.
6. Have power to issue, amend, add, improve or revoke orders, rules, memorandum or regulations concerning work procedure to ensure compliance with the policy in the best interests of the Company, and maintain work discipline within the organization.
7. Have power to approve investments and expenses in the Company's business operation or any other relevant expenses within the limit set by the Board, comprising approval of acquisition of fixed assets without amount limit, approval of entering into engagement/rent/lease contract of fixed assets without amount limit, etc.
8. Have power to approve payments under contract or agreement as per the approved budget or as approved by the Board meeting or shareholders' meeting without amount limit.
9. Have power to approve procurement, executing contract, and conduct of normal business transactions within the approved budget and without amount limit.
10. Have power to authorize any other person to perform duties on his behalf, and be responsible for any act performed by the authorized person.

In this regard, the power of the Managing Director and that of the person authorized by him as deemed appropriate shall exclude the power or granting of power which will permit the Managing Director or the authorized person to approve transactions which he or related person may have conflict of interest (as defined in the Notification of the Capital Market Supervisory Board and/or the Stock Exchange of Thailand and/or relevant agencies), beneficial interest or any other interest with the Company or subsidiaries and/or associated companies. The Managing Director shall have no power to approve such transactions which are subject to the consideration and approval by the Board meeting and/or the shareholders' meeting (as the case may be) in compliance with the Articles of Association of the Company or applicable laws, unless the approval of such transaction is in the normal course of business with the general trade conditions in line with the Notification of the Capital Market Supervisory Board and/or the Stock Exchange of Thailand and/or relevant agencies.

3. Company Secretary

The Board meeting no. 1/2016 on April 26, 2016 resolved to approve the appointment of Mrs. Varinkan Teraumranon as the Company Secretary in line with the requirements of the Securities and Exchange Act B.E. 2535 (1992) (and the amendments) and to perform duties and responsibilities as follows :

1. Oversee and give preliminary advice to the Board and the executives on the rules, regulations and laws of which the Board and the management must be aware.



2. Supervise the Board activities and be in charge of arranging the Board meeting and the shareholders meeting, keep record of minutes of the Board meeting and the shareholders' meeting, and coordinate with relevant parties to effect and follow up implementation in accordance with the resolutions of such meetings.
3. Prepare and safekeep important documents of the Company including:
 - 3.1 Board register
 - 3.2 Invitation notice to the Board meeting, minutes of the Board meeting and the Annual Reports of the Company
 - 3.3 Invitation notice to the shareholders' meeting and minutes of the shareholders' meeting
4. Safekeep reports on beneficial interests of directors and executives (referring to directors and executives who are duty-bound to report to the Company their beneficial interests and those of related persons).
5. Perform any other tasks and responsibilities prescribed by the Notification of the Capital Market Supervisory Board.

Mrs. Varinkan Teraumranon had undergone training in Company Secretary Program (CSP), Class 72/2016 in 2016, Company Reporting Program (CRP) Class 16/2016 in 2016 and Effective Minutes Taking (EMT), Class 36/2016 in 2016.

The Company has mapped out qualifications of Company Secretary as regards age, education, foreign language proficiency, communication skills, interpersonal skills, capability in coordinating with internal and external parties, and public relations and enhancement of the Company's good image among external parties. In the event that the Company Secretary vacates office or is unable to perform duty, the Board shall appoint the new Company Secretary within 90 days from the date on which the existing Company Secretary vacates office or can no longer perform duty, and during the lapse of which, the Board shall assign any one of the directors to perform Company Secretary duty as per the Securities and Exchange Act B.E. 2535 (1992) (and the amendments).

4. Remuneration for Directors and Top Executives

4.1 Monetary Remuneration

(a) Directors

The 2016 Annual General Meeting of Shareholders held on April 29, 2016 resolved to approve payment of remuneration for Board members and Audit Committee members as below :

Position	Remuneration (Baht/time)
Chairman of the Board	15,000
Directors	10,000
Chairman of Audit Committee	15,000
Audit Committee member	10,000

Note : Conditions pertaining to payment of remuneration :

1. Directors entitled to remuneration include only non-employee directors and Audit Committee members.
2. Since many directors hold positions in more than one specific Committee, no remuneration shall be allocated for Executive Committee and Risk Management Committee members.
3. Board and specific Committee members are entitled to remuneration in form of gratuity, meeting allowance, bonus or benefits of other nature in accordance with the Articles of Association or as resolved by the shareholders' meeting. The amount may either be set in a definite amount or specified as criteria to be set from time to time or fixed until there are changes. Moreover, they are also entitled to other allowances and benefits according to the regulations of the Company under condition that no impacts shall be posed on rights of employees and contract employees appointed as directors or Committee members to receive remuneration and benefits in the capacity of employees or contract employees of the Company. In addition, such remuneration payment must not contradict the criteria of maintaining the qualifications of Independent Directors prescribed by the securities and exchange law.
4. The Board shall decide on when payment of annual director remuneration is to be made, as well as details and conditions of such payment. For example, payment of remuneration shall be made only to directors remaining in office. However, for directors who have recently been appointed and have yet completed a full year in office, payment of remuneration shall be in proportion to the period he has been in office.

Moreover, the 2016 Annual General Meeting of Shareholders held on April 29, 2016 resolved to approve payment of annual bonus for 2016 to the Board of Directors and Supporting Committee members in a total amount of not exceeding Baht 2 million.

In 2015 and 2016, The Meeting allowance payment to each director was as tabulated below:

Name	Position	Meeting Allowance (Baht)			
		2016		2015	
		Board of Directors	Audit Committee	Board of Directors*	Audit Committee
1. Mr. Thakol Nunthirapakorn	Chairman/ Audit Committee Chairman	105,000	105,000	50,000	60,000
2. Mr. Wirat Sukchai	Director	-	-	-	-
3. Mrs. Sirima Iamsakulrat	Director	70,000	-	40,000	-
4. Mrs. Valeeratn Chuerboonchai	Director	-	-	-	-
5. Mr. Parkphum Wongpaitoon	Director	70,000	-	50,000	-
6. Mr. Wasan Nantakhwang **	Director	-	-	-	-
7. Mr. Thammanoon Tripetchr **	Director	-	-	-	-
8. Mr. Sothitorn Mallikamas	Audit Committee	70,000	70,000	40,000	40,000
9. Miss Voranuch Supaibulpipat	Audit Committee	70,000	70,000	40,000	40,000
10. Mr. Supot Tiarawut **	Director	20,000	-	-	-
Total		405,000	245,000	220,000	140,000

Note : * in 2016, no bonus payment to directors was made for 2015.

** The Extraordinary General Meeting of Shareholders No.1/2016 on November 1, 2016 resolved to appoint Mr. Wasan Nantakhwang, Mr. Thammanoon Tripetchr as the Directors and Mr. Supot Tiarawut as the Independent Director

(b) Top executives

In 2015, and 2016, remuneration payment to top executives was as follows:

Remuneration	2016		2015	
	No. of executives	Remuneration (Baht)	No. of executives	Remuneration (Baht)
Salary, bonus and other benefits such as social security fund, provident fund, EJP and post-employment benefits	4	8,473,456	2	7,377,484

4.2 Other Remuneration

- None -

5. Manpower

5.1 Number of Personnel

As of December 31, 2015 and December 31, 2016, the Company has a total of 112 and 224 employees (excluding executives) respectively, categorized by function line as follows :

Operational Line	Number of Employees (persons)	
	As of 31 December 2016	As of 31 December 2015
• Project Sales Group	28	32
• Fire Protection, Air Conditioning & Sanitary System : Sales Group	26	27
• Project Sales Group (Petrochemical)	2	3
• Refrigeration System Sales Group	14	-
• Engineering Support Group	2	-
• Digital Printing System Sales Group	23	-
• Service Group	32	-
• Special Product Sales Group	11	-
• Corporate Governance Group	6	4
• General Management Group	43	26
• Finance Group	37	20
Total	224	112

5.2 Employee Compensation

The Company's employees will receive remuneration in both monetary and non-monetary forms. Monetary remuneration includes salary, bonus, overtime pay, brokerage fee, incentives and rewards, as well as other monetary benefits.

Non-monetary compensation includes provident fund managed by an authorized asset management company to be compliant with the provisions of Provident Fund Act B.E. 2542 (1999) with employee savings rate to go up in line with the increasing years of service of the respective employee. The Company also allows the employees to select or change their investment policy as considered proper for them with acceptable risk level. The employee choice can be made twice a year. Group life and health insurance is taken out by the Company to insure the employees, with coverage amount varied to job position and level of risk associated with nature of job performance. Moreover, the Employee Joint Investment Program (EJIP) has been established to provide the employees with an opportunity to jointly invest in and own the Company, which will be regarded as savings for the employees' long-term financial security. The Company also offers scholarships of both undergraduate and graduate levels, and financial support for in-house and external training programs and seminars.

Monetary and non-monetary employee compensation to the employees totaled Baht 81.91 million in 2016, compared with Baht 68.66 million in 2015.

5.3 Major Labor Dispute in the Past 3 Years

- None -

5.4 Employee Development Policy

The Company has a policy to regularly develop its employees at all levels to enhance competency, knowledge and capabilities to improve performance outcomes and strengthen the organization to be well equipped in facing business competition. Employees are allowed to self-improve and fully demonstrate their skills for maximum benefits. At HARN, we encourage employees to learn more through education and training programs to enhance their knowledge, competency and experience to correspond with the direction of organization growth. We offer both in-house and external training courses and programs annually to enhance the skills within the scope of responsibilities of employees at all levels. We also place importance on following up and evaluating the knowledge gained by the employees from those programs, including their ability to apply such knowledge to their work and transfer what they learn to their team members and relevant work units.



14. Corporate Governance

1. CORPORATE GOVERNANCE POLICY

The Company is determined to be the leader in the sustainable solution service for fire and safety engineering, refrigeration system and digital printing system in Thailand and the neighboring countries, improving the investors' confidence including all of the stakeholders of the Company, increasing the value of the Organization and promote sustainable growth according to the international standard principle of good governance.

The Company had established the corporate governance policy and published it through the Company's website at www.harn.co.th and in the year 2016, the Company had revised the corporate governance policies in June and November of 2016 to be the framework for various operations as follows;

1. The Board of Directors, Executives and all employees must perform their duties with determination, commitment and responsibility to the best of their ability for the benefits of the Company and to uphold the 5 international standard principle of corporate governance (REACT) which are;
 - **Responsibility** : Be responsible and perform the duty with the best of the abilities, efficiency and with determination.
 - **Equitable Treatment** : Treat all groups of stakeholders equally and fairly.
 - **Accountability** : Take responsible of one's decision, action and others under one's responsibility. Be able to explain such decisions.
 - **Creation of Long Term Value** : Have a vision to create a long term value for the Organization.
 - **Transparency** : Operate the businesses transparently, accountable and reveal the information to related parties transparently as guidelines with understanding, confidence and faith by practicing routinely, resulting in a good culture of the Organization.
2. The Board of the Directors has a significant role together with the Executives to set the visions, strategies policies and important plans of the Company, including establishing the management structures that relates fairly between the Board of Directors, the Executives and the shareholders and to plan the management guidelines and the appropriate business operations including making sure that the accounting system, the financial report and the accounting audit are reliable.
3. The Board of Directors and the Executives must be the leaders in terms of ethics and be an example for working with honesty, fairness, transparently and accountable.
4. The Board of Directors, the Executives and all employees must uphold fairness by treating all stakeholders equally, including keeping watch, control and prevent anyway decisions or actions that may have conflict of interests with relating issues.

5. The Board of Directors must operate with the efficient anti-corruption system to ensure that the management is aware, emphasizes and follows the anti-corruption policies.
6. Complying with the Company's corporate governance policy is considered an important key performance index in evaluating the business management of the Board of Directors and the Executives and to assess the performance of all employees.

2. Supporting Committees

The Company has three supporting committees, comprising Audit Committee, Executive Committee, and Risk Management Committee to take charge of specific areas and report the matters to the Board of Directors for consideration or acknowledgement. These committees have the rights and duties as defined in the scope of power, duties, and responsibilities of each committee.

Details of the supporting committees as of December 31, 2016 are as follows :

2.1 Audit Committee

The Audit Committee is composed of three independent directors, all of whom have full qualifications as stipulated by the SEC and the SET and at least one whom has competence and experience in reviewing the reliability of the financial statements, as named below :

Name	Position
1.Mr. Thakol Nunthirapakorn	Chairman of the Audit Committee
2. Mr. Sotthithorn Mallikamat	Member of the Audit Committee
3. Miss Voranuch Supaibulpipat	Member of the Audit Committee

Mr. Thakol Nunthirapakorn is the Committee members who have adequate competence and experience in reviewing the reliability of the financial statements, having graduated with a Doctoral degree from Col. Of Bad./ Accounting, MIS, Economics, University of Arkansas, U.S.A. currently holds a position of adjunct professor in the University of the Thai Chamber of Commerce and had passed the 8th Director Accreditation Program (DAP) of the year 2004. Mr. Wisit Wachiralarpaitoon is the secretary to the Audit Committee.

Audit Committee's term of office

The Audit Committee has a three-year term of office from the date of appointment. Committee members retiring by rotation may be re-appointed. In case of a vacancy in the Audit Committee for reasons other than retirement by rotation, the Board of Directors shall appoint a fully qualified person as a replacement so that the Committee has the required number of members as specified by the Board. The replacing member will be in office only for the remaining term of the member vacating office.

Scope of power, duties, and responsibilities of Audit Committee

1. Review the Company's financial reporting to ensure its accuracy and adequacy.

2. Review the Company's internal control and internal audit systems to ensure that they are appropriate and effective; consider the independence of the internal audit office; approve and be responsible for the internal audit; and consider the internal audit operational framework, annual internal audit plan and budget to ensure that they are consistent with the operational framework and sufficient to support works under the Audit Committee's responsibilities.
3. Review the Company's compliance with the Securities and Exchange Act, the SET's regulations and other laws relevant to the Company's business.
4. Consider, select, and propose the appointment of an independent party to perform the duties of the Company's auditor, and also propose the remuneration of that person, as well as attend the meetings with the auditor and internal auditor at least once a quarter.
5. Consider relevant transactions or those having possible conflict of interest to ensure that they are compliant with all pertinent laws and requirements of the SET, reasonable, and bring utmost benefit to the Company.
6. Prepare the Audit Committee's report to be disclosed in the Company's Annual Report, which is signed by the Chairman of the Audit Committee and contains the abovementioned information.
7. Summarize and submit the Audit Committee's mission to the Board of Directors for acknowledgement
8. In carrying out the Audit Committee's duties, if it has found or has any suspect that any of the following transactions or acts may have material impact on the Company's financial status and operational performance, the Audit Committee shall report them to the Board of Directors to seek a remedial action within a timeframe it may deem fit :
 - transactions with conflicts of interests,
 - fraud or irregularities or material deficiencies in the internal control system,
 - breach of the securities and exchange law, the stock exchange regulations, and other laws relevant to the Company's business.

If the Board of Directors or its executives fail to arrange for rectification in due course as provided in paragraph 1, any member of the Audit Committee may report the transactions or acts in paragraph 1 to the Securities and Exchange Commission or the Stock Exchange of Thailand.

9. Summarize and submit the Audit Committee's mission to the Board of Directors for acknowledgement.

The Audit Committee has the power to take the following actions: inviting directors, employees, contract employees to attend the meeting to discuss, clarify or answer any question relating to the Committee's duties and responsibilities; discussing with the Company's expert or consultant (if any); or engaging a third-party consultant or specialist if necessary at the Company's expenses; requesting the Company's employees to submit necessary documents about the Company's operation for auditing or investigation for work accomplishment; assigning any employee or contract employee to within the scope of duties of the Committee for the audit purpose; and taking any action as specified above in relation to subsidiaries as assigned or requested by subsidiaries and as allowed by the scope of their authority and duties.

The Company does not have an internal audit work unit yet. It has thus hired Ultima Advisory Co., Ltd., an external audit agency that is not related to the Company, as its internal auditor to examine and ensure the adequacy and appropriateness of the Company's internal control system.

2.2 Executive Committee

The Board of Directors appoints the Executive Committee by selecting among directors, executives or senior employees, who are competent in managing day-to-day business operations; administering the Company; formulating policy, business plan, budget plan, and management structure; and inspecting and monitoring operating results of the Company in compliance with the policy determined by the Board.

The Executive Committee is composed of five members as follows :

	Name	Position
1.	Mrs. Sirima Iamsakulrat	Chairman of the Executive Committee
2.	Mr. Wirat Sukchai	Member of the Executive Committee
3.	Mrs. Valeeratn Chuerboonchai	Member of the Executive Committee
4.	Mr. Wasan Nantakhwang*	Member of the Executive Committee
5.	Mr. Thammanoon Tripetchr*	Member of the Executive Committee

Note : * The Company's Board of Directors at its meeting no. 6/2016 on November 11, 2016 resolved to appoint Mr. Wasan Nantakhwang, Mr. Thammanoon Tripetchr as the member of the Executive Committees

Mrs. Varinkan Teraumranon is secretary to the Executive Committee.

Executive Committee's term of office

The Executive Committee has a three-year term of office from the date of appointment. Committee members retiring by rotation may be re-appointed. In case of a vacancy in the Executive Committee, the Board of Directors shall appoint a qualified person as a replacement.

Scope of power, duties, and responsibilities of Executive Committee

The Executive Committee has power, duties, and responsibilities in administering the Company's day-to-day business and operations in accordance with the Company's objectives, articles of association, policies, rules, provisions, orders, and resolutions of the Board of Directors' and the shareholders' meetings. The Executive Committee shall screen and map out policy, business plan, budget plan, management structure, administrative authority, and criteria in the business operation in line with the economic conditions and propose them to the Board of Directors for consideration and approval and/or consent, as well as inspect and monitor the Company's operational performance in line with the policy set forth.

In summary, the scope of power, duties and responsibilities of the Executive Committee covers :

1. Propose policies, strategies, targets, operation plan, annual budget, business expansion plan, financial plan, and organizational and administrative structure; and examine and screen the proposals submitted by the management before proposing for the Board of Directors' approval.

2. Oversee the Company's business operation and follow up the results thereof to be in line with the policies, targets, operation plan, targets and budget approved by the Board of Directors or as assigned by the Board of Directors, as well as regularly report the operational performance to the Board meeting.
3. Consider and approve key capital expenditure as specified in the annual budget and assigned by the Board of Directors, or as approved in principle by the Board of Directors.
4. Consider and approve borrowing, acquisition of credit lines, or any credit facilities each in an amount not exceeding Baht 10 million and in a total amount not exceeding Baht 30 million. In case of using the Company's assets as collateral security, approval must be sought from the Board of Directors.
5. Consider and approve off-budget capital expenditure in an amount not exceeding Baht 10 million and approve expenditure in excess of annual budget by an amount not exceeding Baht 5 million. Such transactions, once approved, shall be informed to the Board of Directors.
6. Consider profit and loss of the Company and proposal for payment of an interim dividend or annual dividend before submission for the approval of the Board of Directors and the shareholders' meeting accordingly.
7. Formulate a human resource management policy, and select and appoint persons with suitable qualifications to hold managerial positions from the general manager level upward, with the exception of the position of managing director, as well as transfer, terminate employment, determine remuneration including bonuses and other benefits commensurate to the duties of such managerial positions.
8. Have the power to authorize any person or persons to perform any act under the control of the Executive Committee, or for that person to have power as considered proper by the Executive Committee within the specified timeframe. The Executive Committee may cancel, revoke, withdraw, change or correct the authorized person as appropriate.

The Executive Committee's authorization as such must not be made in a manner of authorization or sub-authorization that enables the authorized person to approve the transaction in which such authorized person or person with possible conflict of interest (as defined in the Notification of the Capital Market Supervisory Board and/or the SET, and/or other relevant agencies) has beneficial interests or may have any other conflict of interest with the Company or its subsidiaries and/or associated companies. The Executive Committee has no power to approve the proceeding of such transaction, and has to propose it to the Board of Directors meeting and/or the shareholders' meeting (as the case may be) for approval, unless it is the approval of a transaction in the normal course of business operation and under normal commercial terms pursuant to the Notification of the Capital Market Supervisory Board and/or the SET, and/or other relevant agencies.

9. Perform any other duties as assigned by the Board of Directors on a case by case basis.

2.3 Risk Management Committee

The Company's Risk Management Committee as 31 December, 2016 is composed of 12 members as follows:

ชื่อ - สกุล		ตำแหน่ง
1. Mr. Supot	Tiararwut	Chairman of the Risk Management Committee
2. Mr. Wirat	Sukchai	Member of the Risk Management Committee
3. Mr. Wasan	Nantakhwang*	"
4. Mr.Thammanoon	Tripetchr*	"
5. Mr. Rattanaphan	Mukhariwattananon	"
6. Mr. Pracha	Phromphornchai	"
7. Mr. Suchat	Suwatnodom*	"
8. Mr. Nuntawat	Jeerakhom*	"
9. Mr. Sukit	Litikorn*	"
10. Mr. Withoon	Thamee*	"
11. Mr. Wisit	Wachiralappaitoon*	"
12. Mrs. Varinkan	Teraumranon	Member of the Risk Management Committee and Secretary to Risk Management Committee

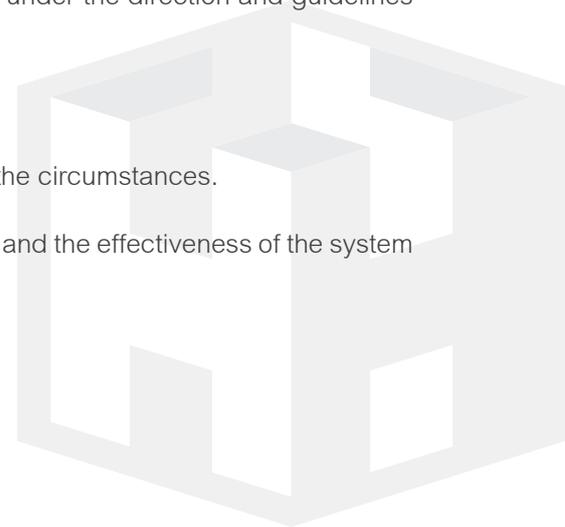
Note : * The Company's Board of Directors at its meeting no. 6/2016 on November 11, 2016 resolved to appoint Mr.Supot Tiarawut as the Chairman of the Risk Management committees Including the appointment of its members totaling 7 persons (no. 3-4 and 7-11).

Risk Management Committee's term of Office

The Risk Management Committee consists of executives from various work units. In case any Committee member resigns during the term of office, Chairman of the Risk Management Committee shall appoint a new member to replace the vacating member and report the same to the upcoming Board of Directors'meeting.

Scope of Power, Duties and Responsibilities of Risk Management Committee

1. Consider and screen the overall risk management policy and guidelines of the Company which shall encompass major risk categories, i.e. financial risk, investment risk and reputational risk of the Company, etc. to be presented to the Board meeting for approval.
2. Put in place risk management strategies and guidelines in line with the determined risk management policy to assess, monitor and control risk to be at appropriate level.
3. Oversee and monitor implementation of the risk management policy under the direction and guidelines approved by the Board.
4. Set risk measurement criteria and risk limit.
5. Determine appropriate measures to manage risks in alignment with the circumstances.
6. Review adequacy of the overall risk management policy and system, and the effectiveness of the system and compliance with the policy in place.



7. Report to the Board on a quarterly basis risk management, implementation and risk status of the Company as well as changes and remedy and improvement actions to comply with the policy and strategy set forth.
8. Appoint Risk Management Working Committee as deemed necessary.
9. Support Risk Management Working Committee in respect of manpower, budget and other resources required in line with the defined scope of responsibilities.

In 2016, the Risks Management Committee held the total of 4 meetings to revise the risk factors covering all dimensions in conjunction with the ever changing situation or the business operation such as the business increase for the refrigeration system and the digital printing system in December of 2016 in which the Company was in the middle of revising possible risk factors that may arise and will utilize them in the year 2017.

3. Nomination of Directors

3.1 Independent Directors

The Company has defined the composition of the Board of Directors to include independent directors at least one-third of the total number of directors, or at least three independent directors.

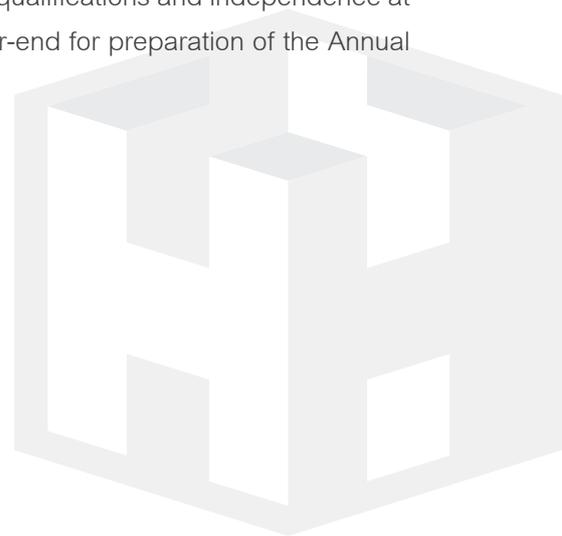
The criteria for selecting and nominating independent directors are based on those for the nomination of directors. An independent director shall have the required qualifications and no prohibited characteristics, just as in the case of a director pursuant to the Public Limited Companies Act, and the securities and exchange law, as well as other relevant notifications, stipulations and/or regulations. He shall have capabilities, specialized expertise, work experience and other required qualifications. Nominations of qualified candidates shall be submitted to the shareholders' meeting for election and appointment as directors. In case of any independent director vacating office before the end of the office term, the Board of Directors may appoint a new independent director with the required qualifications as a replacement. The replacing independent director shall hold office only for the remaining term of office of the independent director whom he has replaced.

Qualifications of an independent director shall be as follows :

1. Holding not more than 1% of the total shares with voting rights of the Company, or its principal company, subsidiary company, associated company, major shareholder, or controlling person of the Company, which shall be inclusive of the shares held by any related person thereof;
2. Neither being nor having been an executive director, an employee, a staff member, an adviser who receives a regular salary, or a controlling person of the Company, or its subsidiary company, associated company, subsidiary company at the same level, major shareholder or controlling person of the Company unless the foregoing status has ended for no less than 2 years before the independent director assumes the post of Audit Committee member;
3. Not being a person related by blood or registration under law, such as father, mother, spouse, sibling, or child, including the spouse of a child, of an executive, major shareholder, controlling person or person to be nominated as an executive or a controlling person of the Company or its subsidiary company;

4. Neither holding nor having held a business relationship with the Company, or its principal company, subsidiary company, associated company, major shareholder or controlling person in a manner which may interfere with his/her independent judgement; and neither being nor having been a substantial shareholder or a controlling person of any person having a business relationship with the Company, or its principal company, subsidiary company, associated company, major shareholder or controlling person unless the foregoing relationship has ended for no less than 2 years before the independent director is appointed as an Audit Committee member;
5. Neither being nor having been an auditor of the Company, or its principal company, subsidiary company, associated company, major shareholder or controlling person; and not being a substantial shareholder, controlling person or partner of an audit firm which employs auditors of the Company, principal company, subsidiary company, associated company, major shareholder or controlling person unless the foregoing relationship has ended for no less than 2 years before the independent director is appointed as an Audit Committee member;
6. Neither being nor having been any professional service provider including legal adviser or financial adviser who receives an annual service fee exceeding Baht 2 million from the Company, or its principal company, subsidiary company, associated company, major shareholder or controlling person; and not being a substantial shareholder, controlling person or partner of the professional service provider, unless the foregoing relationship has ended for no less than 2 years before the independent director is appointed as Audit Committee member;
7. Not being a director who has been appointed as a representative of a director of the Company, major shareholder, or shareholder related to the major shareholder of the Company;
8. Not undertaking any business the nature of which is the same as that of the Company or subsidiary company and which, in any material respect, is competitive with the business of the Company or subsidiary company or not being a substantial partner in the partnership, a director who is involved in management, an employee, a staff member, an adviser who receives a regular salary, or a shareholder holding more than 1% of the total shares with voting rights of a company undertaking any business the nature of which is the same as that of the Company or subsidiary company;
9. Not having any characteristics that prohibit the expression of independent opinion towards the Company's business undertakings.

In this regard, the independent directors shall examine and certify their qualifications and independence at least once a year by presenting together with profile of directors as of year-end for preparation of the Annual Disclosure Statement (Form 56-1) and Annual Report.



4. Governance of Subsidiary and Associated Companies

Currently, the Company does not invest in any subsidiary and associated companies. However, as regards future investment, the Company has a policy to invest in related business or business contributing to its core business and having potential and profitability prospects in the long run. In case of investment in a subsidiary company, the Company will control or manage such company just like it is a work unit of the Company, and have representative directors on its board of directors in proportion to the Company's shareholding or as mutually agreed upon. Meanwhile, there will not be so much control by the Company in case of an associated company. Whether to have representative directors on the associated company's board of directors shall be as considered appropriate and as mutually agreed upon. Such representatives shall have appropriate qualifications and experience to manage and closely monitor the subsidiary and associated companies' business operation to ensure achievement of the targets set forth.

5. Use of Inside Information

The Company strictly controls and monitors the use of inside information to prevent any abusive self-dealing and maintain fairness to all stakeholders. The Company has set written guidelines for keeping inside information and for prevention of the use of inside information for abusive self-dealing, and communicated the guidelines to all staff organization-wide for further practice. Moreover, directors, executives and employees are required not to trade the Company securities and/or to enter into any legal acts using inside and/or confidential information, which may cause the Company direct or indirect damage. In addition, directors, executives and employees in the work units receiving inside information of the Company must not use such information before disclosure to the public and also must not trade the Company securities by themselves, spouses and underage children, either directly or indirectly transaction (such as nominee through a private fund), within one month prior to the disclosure of quarterly and yearly financial statements and at least 3 business days after the disclosure of such information.

The Company has put in place disciplinary punishment measures to be taken against those who take advantage of the insider information by disclosing it and causing damage to the Company. The punishments include verbal warning, written warning, probation, termination of employment by firing or disposition, as the case may be, etc.

Moreover, the Company has informed the Board members and executives of their duty to report their holding of the Company securities and penal provisions in accordance with the Securities and Exchange Act B.E. 2535 (1992) and the regulations of the Stock Exchange of Thailand. The directors and executives have to report the holding of the Company securities by themselves, their spouses and underage children to the Office of the SEC within 30 days from the date of their appointment as the directors and executives, and also when there are any changes thereof, to report to the Company and Office of the SEC within three business days from the buying, selling, transfer, or receipt of such securities, in order to comply with Section 59 of the Securities and Exchange Act B.E. 2535 (1992) and for disclosure to the public.

6. Remuneration for Auditor

In 2015 and 2016, the Company paid audit fee and other relevant service fee as below :

Unit : Baht

	2016	2015
Audit fee	1,270,000	1,000,000
Other relevant service fee	1,230,000*	-
Total remuneration for the auditor	2,500,000	1,000,000

The 2016 Annual General Meeting of Shareholders resolved to set the remuneration for the auditor for 2016 at Baht 1,270,000.

Note : * Other fees means accounting services fees which relates to the preparations and auditing of the pro forma consolidated financial statement and M&A transaction

7. Compliance with the Company's principles of corporate governance in 2016.

The Company follows the principle of corporate governance for the listed company of the year 2012 that was announced by the Stock Exchange of Thailand consisting of 5 core chapters as follows;

Chapter 1 The Rights of Shareholders

The Company is well aware of and respects the basic rights of shareholders, both as investors and owners of the Company. These rights include the rights to purchase, sell or transfer the securities they hold; to receive profit sharing from the Company; to adequately access information of the Company; to attend the shareholders' meeting; to express opinions; and to make decision on important issues, e.g. dividend payment, appointment or removal of directors, appointment of auditor, approval of significant transactions having impact on the Company's business direction, and amendment of the Company's memorandum and articles of association, etc.

Apart from the above basic rights, the Company has undertaken efforts to encourage and facilitate the shareholders' exercise of their rights as follows:

(1) Holding of the shareholders' meeting

The Company organizes the annual general meeting of shareholders every year within four months from the date ending the Company's fiscal year. However, in an urgent case where a special session is needed to consider and approve matters affecting or involving the interests of the shareholders, and thus requiring the shareholders' approval, the Board of Directors may call an extraordinary general meeting on a case by case basis. In 2015, the Company organized the Meeting of Shareholders as follow :

- 2016 Annual General Meeting of Shareholders on Friday, April 29, 2016 at 14.00 hrs. at Parichart Room, 3rd Floor, Golden Tulip Sovereign Hotel Bangkok, No. 92 Soi Saengcham, Rama 9 Road, Bangkok Subdistrict, Huay Khwang District, Bangkok 10320, There were 69 shareholders who attended the meeting, 27 of whom in person and 42 by proxy, holding a total of 249,688,031 shares, which represented 71.34% of the total issued shares of the Company.

- The Extraordinary General Meeting of Shareholders No. 1/2016 on November 1, 2016 at 14.00 hrs. at Wassana 3-4, 3rd Floor, Golden Tulip Sovereign Hotel Bangkok, No. 92 Soi Saengcham, Rama 9 Road, Bangkapi Subdistrict, Huay Khwang District, Bangkok 10320, There were 133 shareholders who attended the meeting, 68 of whom in person and 65 by proxy, holding a total of 276,514,192 shares, which represented 79.00% of the total issued shares of the Company.

The meeting was held in conformity with the guidelines of the AGM Checklist issued by the Thai Investors Association to ensure the meeting standard in compliance with corporate governance principles as follows :

- 1.1 The Company has a policy to support and encourage all shareholders, including institutional shareholders, to attend the shareholders' meeting. The Company will prepare and send to the shareholders an invitation notice indicating the venue, date, time, agenda items, supporting information of the agenda items, as well as the opinion of the Board of Directors on each agenda item indicated in the invitation notice, or in the supporting documents so enclosed.
- 1.2 The Company sent the invitation notice for the 2016 Annual General Meeting of Shareholders along with supporting documents of the agenda items to the shareholders by post at least seven days prior to the meeting as required by law (Civil and Commercial Code Amendment Act (No. 18) B.E. 2551, Section 1175). The Company also posted the notice in both Thai and English on its website, and so notified to the SET through SET information system, at least 30 days prior to the meeting, so that all shareholders had easy and timely access to the information, hence adequate time to study and consider the information needed in their decision-making. Moreover, the Company publicized the invitation notice in Kao Hoon newspaper for three consecutive days at least seven days prior to the meeting from 5 to 8 April 2016 and 25 to 27 October 2016 respectively for the shareholders' acknowledgement and preparation for the meeting.
- 1.3 The Company allowed the shareholders to provide their opinions, suggestions, and questions prior to the meeting under clear criteria set by the Company and notified to the shareholders along with the meeting notice, as well as posted on the Company's website.
- 1.4 In case the shareholders were unable to attend the meeting, the Company allowed them to assign the Company's designated independent directors or any other persons to attend the meeting on their behalf, by using either one of the proxy forms sent along with the invitation notice in which at least one independent director was proposed as an option for proxy assignment by the shareholders.

(2) Proceeding on the shareholders' meeting date

- 2.1 The Company fully facilitated the shareholders' attendance of the meeting and exercise of their voting rights. The meeting venue was arranged to be easily accessible by the shareholders. The shareholders had the opportunity to register their attendance one hour before the meeting began. Also, during the meeting, they were able to register their attendance without losing their rights. The Company assigned its staff to provide assistance and information during the verification of documents and the registration process, with refreshments served to all the shareholders attending the meeting.

- 2.2 The Company used a barcode system containing each shareholder's reference number in the registration form for the registration and vote casting process to ensure accuracy, convenience and promptness thereof.
- 2.3 The Company provided voting cards separately for each agenda item to facilitate the vote casting and counting process. Upon the completion of the vote casting, the votes so casted were counted in combination with those indicated in the proxy forms. The results of the vote count were announced right during the meeting.
- 2.4 The Company conducted no act in a manner that would limit the shareholders' right to attend the meeting. All the shareholders had the right to attend the meeting any time during the meeting, and were allowed to freely raise questions and give comments or opinions.
- 2.5 The Board and top management members, and the auditor, as well as the independent legal advisor, attended the meeting. Before the meeting started, the chairman of the meeting asked Mrs. Varinkan Teraumranon, the Company Secretary, to explain the meeting procedures, such as opening of the meeting, voting, and counting of votes casted by the shareholders on each agenda item in accordance with the Company's articles of association.
- 2.6 The Company would declare the beneficial interests of the directors in the invitation notice. At the meeting, directors with beneficial interests or involvement in any agenda item would be notified by the chairman of the meeting to the attendees before considering that agenda item. Directors with beneficial interests in any agenda item would not be entitled to be present at the meeting during consideration of that agenda item.
- 2.7 The Company invited volunteers from the shareholders present at the meeting to witness the vote counting to ensure transparency in the voting process, and allowed the shareholders to enquire about the voting process and method.
- 2.8 The Company encouraged the shareholders to exercise their rights for protection of their interests by asking questions, giving opinions and suggestions, and casting their votes on important matters that may have impact on the Company, such as appointment or removal of directors, nomination of qualified persons to be independent directors, approval of the auditor, dividend payment, capital decrease or increase, imposition or amendment of articles and memorandum of association, approval of special transactions, and so forth.

(3) Proceeding after the shareholders' meeting date

- 3.1 The Company disclosed the meeting resolutions together with voting results on the following working day after the meeting as a newsletter to the SET via the SET's electronic listed company information disclosure (ELCID) system and also by posting on the Company's website (www.harn.co.th).
- 3.2 The Company prepared and submitted the minutes of the shareholders' meeting to the SET within 14 days from the meeting date in accordance with the SET's regulation, and posted detailed and complete



information of the meeting in conformity with the corporate governance principles comprising the meeting minutes with details of questions raised by the shareholders on each agenda item on its website (www.harn.co.th).

The Company has earned a score of 94.75 points according to the evaluation of the quality of annual general meetings of shareholders (AGM checklist) of listed companies for 2016 carried out by the Thai Investors Association. The Company will bring into consideration the shareholders' opinions and suggestions in the quality evaluation and keep up its efforts to improve its annual general meeting of shareholders accordingly.

Chapter 2 The Equitable Treatment of Shareholders

The Company has in place a policy of treating all shareholders on an equitable basis, regardless of whether they are major or minor shareholders, or they are executive or non-executive shareholders. The Company has drawn up guidelines on the equitable treatment of shareholders as follows :

(1) Provision of information before the shareholders' meeting

- 1.1 The Company notifies the SET of the meeting schedule, and agenda items together with the Board's opinions, which will also be posted on the Company's website (www.harn.co.th) at least 28 days prior to the shareholders' meeting.
- 1.2 Before the beginning of each meeting, the Company Secretary will explain to the shareholders the meeting rules and regulations applicable to the meeting, and vote casting and counting procedures for the agenda items.

(2) Protection of minority shareholders' rights

- 2.1 The Company has prescribed clear criteria regarding proposal of agenda items by minority shareholders prior to the shareholders' meeting date to ensure fairness and transparency in considering whether the agenda items proposed by them should be included in the meeting agenda.

Qualifications of the shareholders who are eligible to propose agenda items for the meeting are as stipulated in Section 89/28 of the Securities and Exchange Act stating that one or several shareholders who hold shares and have the right to vote in an aggregate amount of not less than five percent of the total number of the voting rights of the Company; and hold shares consecutively for not less than 12 months from the date of acquisition until the date of proposing the agenda item; as well as hold shares until the date of the respective annual general meeting of shareholders, may submit a written proposal in order to request the board of directors to include such proposal as an agenda item of the shareholders' meeting. The proposal shall indicate the objective and details of the matter as well as supporting information for consideration. The Company had disclosed the rules and procedures on the Company's website under the category "Corporate Governance / Corporate Governance Principles". The proposals which will be considered as the agenda in the Annual General Meeting of Shareholders, the Independent Directors will consider and present to the Board of Directors for further consideration and resolution to add in as the meeting agenda. The opinion of the Board of Directors is considered absolute.

2.2 The Company has prescribed procedures regarding minority shareholders' nomination of qualified candidates to be considered for election of board members 3 - 4 months prior to the shareholders meeting together with supporting information including the candidates' qualifications and letter of consent from the nominated candidates.

Qualifications of the shareholders who are eligible to nominate qualified candidates for the meeting are as stipulated in Section 89/28 of the Securities and Exchange Act stating that one or several shareholders who hold shares and have the right to vote in an aggregate amount of not less than five percent of the total number of the voting rights of the Company; and hold shares consecutively for not less than 12 months from the date of acquisition until the date of nominating qualified candidates; as well as hold shares until the date of the respective annual general meeting of shareholders, may submit a written proposal in order to nominate qualified candidates to be considered for election of board members.

The individuals whose names are to be proposed for the consideration to be the Company's Directors must have adequate qualifications according to the Public Limited Companies Act, Securities and Exchange Act and including the regulations of the Securities and Exchange Commissions, the Capital market Supervisory Board, the Stock Exchange of Thailand and the Company's regulations, including all other characteristics that the Company requires which are adequate knowledge, expertise and experience that may be beneficial or appropriate for the Company's business, good career history, independent, perform the duty of the Director with honesty, ethically and can attend the Board of Directors meeting consistently.

Independent directors will consider and screen the nominated persons for the election of board members and then present the names to the Board of Directors for consideration on whether to propose the nominations to the shareholders' meeting. The Board of Directors' opinion is deemed final.

2.3 The Company provides an opportunity for the shareholders to exercise their right to elect each director individually.

2.4 The Company has no policy to add agenda items for the meeting without notifying the shareholders in advance if not necessary, especially agenda items involving important matters on which shareholders should have adequate time to study information before making decisions. The shareholders arriving after the meeting has commenced shall also not be deprived of their rights to attend the meeting.

(3) Prevention of misuse of information

The Company strictly controls and monitors the use of internal information to prevent abusive self-dealing and to maintain fairness to all stakeholders. The Company has set written guidelines to prevent use of internal information for personal gains and communicated the guidelines to all staff members organization-wide for further practice. Directors, executives and employees are also prohibited from trading the Company shares by using confidential information and/or internal information and/or making any other legal transaction by using confidential information and/or internal information that could cause direct or indirect damage to the Company. Moreover, directors, executives and employees in the work units that have access to internal information must not use the

information before public disclosure. Persons involved with internal information, as well as their spouses and children who are minors, are prohibited from trading the Company shares either directly or indirectly (such as nominee trading through private fund) within one month before the disclosure of quarterly and annual financial statements and at least three working days after public disclosure of such information.

The Company has imposed disciplinary punishment against those who misuse the Company's internal information for personal gains or disclose such information resulting in damage to the Company. The disciplinary punishment, which will be considered on a case by case basis, include giving verbal and written warnings, probation, and termination of employment through suspension, removal or dismissal, as the case may be, etc.

The Company has notified its directors and executives of their duty to report their securities holding in the Company to the SEC and penal provisions pursuant to the Securities and Exchange Act B.E. 2535. According to the SET's regulations, directors and executives of the Company are required to report the SEC of their securities holding in the Company, as well as holding of securities in the Company by their spouses and minor children within 30 days from the date on which they are appointed the Company's directors or executives. They are also required to report on any changes in securities holding to the Company and to the SEC within three working days from the date of purchase, sale, transfer, or acceptance of transfer of securities pursuant to Section 59 of the Securities and Exchange Act B.E. 2535. The report on changes in their securities holding will accordingly be disclosed to the public.

(4) Beneficial interests of directors

The Company has put in place guidelines for directors or executives with beneficial interests or involvement in any transactions not to participate in the consideration of those transactions. At the Board of Directors' meeting, directors with beneficial interests in any matters are not entitled to vote on those matters.

Chapter 3 The Role of Stakeholders

The Company respects the rights of all stakeholders, whether they are internal stakeholders like shareholders, executives and employees of the Company, or external stakeholders like creditors, customers, trade partners, competitors, the government sector, the society and the community. The Company is well aware that supports and viewpoints from all stakeholders will benefit the Company's business operation and development. Hence, the Company will comply with relevant laws and regulations so as to safeguard the rights of all stakeholders. In addition, the Company conducts its business with the rights of all stakeholders brought into consideration according to the following guidelines :

Shareholders : The Company has a policy of running its business with honesty, integrity and business ethics and puts best efforts in developing its business, and improving the operating performance to ensure consistent and reasonable returns on the investment of the shareholders and investors on a sustainable basis. The Company adheres to equitable treatment of its shareholders. Its directors, executives and employees are committed to performing duties with honesty and making decisions with transparency, carefulness, prudence and fairness to all shareholders for the maximum benefits of all shareholders.

The Company will also present the situation of the Company such as performances, financial status, accounting status and other reports regularly, fully and accurately. The Company will notify all of the shareholders regarding the future trend of the Company both positively and negatively which is on the basis of probability with back up evidences and sufficient reasoning and will not seek for personal gains or benefits for other parties by utilizing the Company's information that has not been disclosed to the public, or proceed with any action that may cause conflict of interests with the Organization.

Customers : The Company realizes the importance of customer satisfaction. It has adopted the ISO 9001 : 2008 to its organization, and upheld a quality policy that reads: We will strive to impress our customers with prompt services and quality products supported by ongoing personnel development and rationalization of work process.

Trade partners and / or creditors : The Company has a policy to create good relationship with our trade partners and / or creditors and to run the business on the basis of mutual benefits that are fair to all parties. The Company treats all trade partners and/or creditors with due regard to the maximum benefits of the Company, avoids the circumstances that may cause conflict of interest, and complies strictly with the commitment or agreement to achieve mutual benefits. The Company will not commit any misconduct in dealing with trade partners and/or creditors. In case there is any information indicating occurrence of a dishonest act, the Company will inform the trade partners and/or creditors thereof and jointly seek solution on a fast and fair basis, and strictly comply with all conditions with the trade partners and/or creditors. Any inability to fulfill the conditions shall immediately be informed to the trade partners and/or creditors to find a solution.

Competitors : The Company has a policy to treat its competitors with adherence to fair competition rules, without seeking competitor's trade secret by any unfair or inappropriate method. The Company will abide by the competition rules, without any attempt to impair the competitor's reputation through false accusation or accessing the competitor's trade secret in a dishonest manner.

Employees : The Company considers its employees as its essential resource that will play an important role in supporting and driving the Company to successful operation. Therefore, the Company has a policy in place to improve the quality of life of all staff members with fair employment conditions, reasonable welfare packages, promising career path, and safe and sanitary work environment. The Company will enforce laws and regulations relating to the employees strictly, provide good working atmosphere and safe for the assets and lives of the employees. Treat the employees gently and with respect to their individualities and human dignity. Reward the employees fairly. Promotion and relocation, including rewards and punishments must be conducted fairly by considering the knowledge, abilities and suitability of each employee as the standard. Emphasize on the skills development of the

employees by providing equal opportunities regularly. Avoid any unfair action that may affect the stability of the employees' jobs or threaten and cause stress to the employees mentally. The employees have the rights to appeal in the case that they are not treated fairly according to the system that allows for opinions and suggestions from all levels of employees equally and fairly.

- Public sector** : The Company runs its business in order to support the country's advancement in accordance with the relevant laws, rules, regulations, as well as customary practice.
- Community, Society and Environment** : The Company values the responsibility for the community and the society by strictly following various standards relating to safety, security, sanitation and environment, and with the impact on natural resources and the environment taken into account. The Company has continuously fostered awareness of social and environmental responsibility among the staff at all levels and created activities that will promote the society, the environment and the quality of life of the people. The Company cooperates and controls the strict use of the laws and regulations issued by overseeing departments, emphasizes on the communal and social activities by focusing on the development of the society, community, environment, creativity and the protecting the natural resources.

Chapter 4 Disclosure and Transparency

The Board of Directors attaches a high degree of importance on disclosure of accurate, complete, timely and transparent important information, both financial and non-financial, through reliable and easily accessible channels on an equitable basis. The Company has disseminated its information to shareholders, investors and the public through the channel and media of the Stock Exchange of Thailand and on the website of the Company. Its information is also compiled in the Annual Disclosure Statement (Form 56 - 1) and the Annual Report.

The Board of Directors is responsible for the financial statements of the Company and financial information presented in the Annual Report. The financial statements are prepared in accordance with generally accepted accounting standards in Thailand and with regular adoption of appropriate accounting policy and disclosure of adequate information therein. At this time, the Audit Committee will be the reviewer of the financial report and the internal control system, including the sufficient disclosure of vital information in the appendixes of the financial statement and report to the Board of Directors.

As regards investor relations, the Company has not yet set up a specific work unit to deal with this area where activities so far have been in small volume. However, it has authorized the Managing Director to take charge of communicating with investors, shareholders, securities analysts, and relevant public agencies.

(1) Disclosure

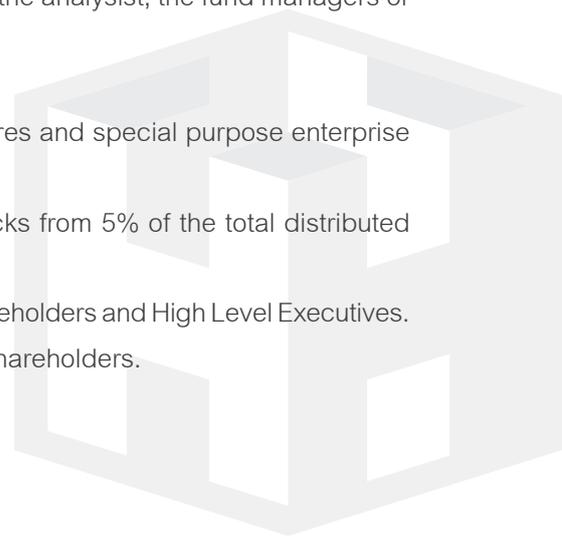
- 1.1 The Company is obliged to disclose information that affects decision making of investors and stakeholders. Information so disclosed, financial and non-financial, shall be accurate, complete, timely, reliable, transparent, not misleading and sufficient for investors to make decision, and shall accord with the criteria of Office of the Securities and Exchange Commission and the Stock Exchange of Thailand, including also other significant information that affects the Company share price.

- 1.2 The Company makes available brief reports on corporate governance policy, code of conduct, risk management policy, and social and environmental policy, and results of implementation in compliance with such policies including also non-compliance cases thereof together with reasons (if any) in the Annual Report and on its website.
- 1.3 The Board of Directors reports its responsibility for the financial statements in the Annual Report together with report of the auditor.
- 1.4 The Company prepares management discussion and analysis (MD&A) to support its disclosure of its quarterly financial statements so that investors access information on changes to the Company's financial status and operating performance in each quarter in addition to figure data in the financial statements.
- 1.5 The Company discloses in the Annual Report audit fee and other service fees for the auditor.
- 1.6 The Company discloses in the Annual Report information on the roles and duties of the Board of Directors and specific Committees, number of meetings held and number of meetings attended by each director in the previous year, as well as opinions in relation to performance of duties and directorship training and development for directors.
- 1.7 The Company discloses in the Annual Report policy on payment of remuneration for directors and top executives of the Company that reflects their duties and responsibilities and types and nature of the remuneration, including also remuneration for any directorship on the board of subsidiaries (if any).

(2) Minimum information disclosure on the Company's website

Other than the disclosure of the information according to the regulations and through the SET channel as the annual data entry (Form 56-1) and the annual report, the Company prepared up to date information disclosure in English through other channels regularly such as the Company's website (www.harn.co.th), which consist of the information as follows;

- 2.1 Visions and missions of the Company
- 2.2 Nature of the Company's Business
- 2.3 Names of the Board of Directors and the Executives
- 2.4 Financial Statement and financial status report and both current year and the previous year's operation performances.
- 2.5 Form 56-1 and the annual report which are available for downloads.
- 2.6 Information or any documents that the Company had presented to the analyst, the fund managers or the media.
- 2.7 Shareholding structures both directly and indirectly.
- 2.8 Companies groups' structures including its subsidiaries joint ventures and special purpose enterprise / vehicles (SPEs/SPVs) (if any).
- 2.9 Major shareholders both directly and indirectly that holds the stocks from 5% of the total distributed stocks and has the rights to vote.
- 2.10 Both direct and indirect shares ownership of the Directors, Major shareholders and High Level Executives.
- 2.11 Invitations for the ordinary and extra ordinary general meeting of shareholders.



- 2.12 The Company's regulation, memorandum and shareholders' agreement (if any)
- 2.13 Company's good corporate governance policy.
- 2.14 Risks management policy, including methods of eliminating such risks.
- 2.15 Charters or responsibilities, qualifications, terms in the position of the Board of Directors, including matters that must be agreed upon by the Board of Directors.
- 2.16 Charters or responsibilities, qualifications, terms in the position of the Audit Committee.
- 2.17 Company's Directors and Employees' Ethics
- 2.18 Contact numbers or person in charge of the investor relations for example names of the persons or telephone numbers.

(3) Investor Relations

The Company's Executives emphasize on the cooperation and the exchange of information and ideas with the shareholders, investors, analysts and the media regularly so that these people may gain access to the Company's information which is accurate, complete, transparent and up to date equally, especially vital information that will affect the price of the assets of the Company and use those information to make an investment decision effectively. In 2016, the Company had activities that presented the information both directly and indirectly as follows;

- 3.1 Presentation in the 'Listed Companies meet Investors : Opportunity Day' hosted by the Market of Alternative Investment (MAI) on the 16th March 2016 and the MAI Forum 2016, hosted on the July 1, 2016.
- 3.2 Providing information and answering any inquiries of the investors and the media that had contacted the Company via e-mails at wirat.s@harn.co.th and by phone at ++6 (2) 203-0868.

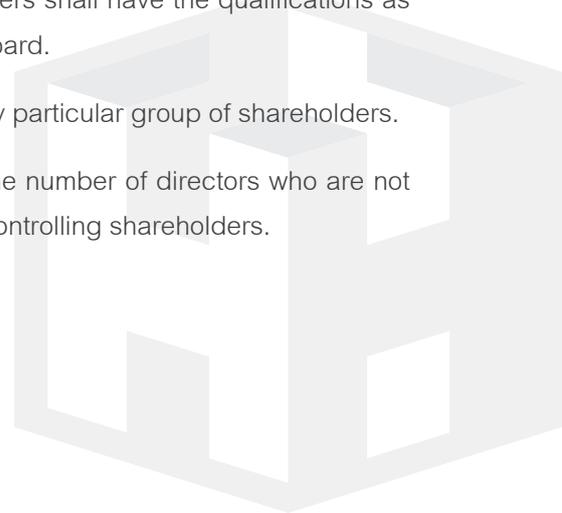
Chapter 5 Responsibilities of the Board of Directors

The Board of Directors has a significant role as representatives of the shareholders. Their duties are to formulate corporate vision, mission, business strategies, and budget plan for the management to achieve its business objectives. Moreover, the Board has a duty to oversee the management's operation to ensure that it is consistent with policies, with fairness and transparency, and being compliant with the laws, regulations, policies and business ethics. The Board of Directors has been appointed by the shareholders through a transparent process. They are persons with knowledge, competence, and experience, with devotion of their time and efforts to the performance of duties in the best interests of the Company. They shall have leadership, vision, independence in decision making, and competence in ensuring that the overall operation is carried out rightfully in line with the laws and code of ethics. There is clear segregation of the roles and responsibilities between the Board of Directors and the management to ensure that the Board of Directors is independent from the management.

In 2016, the Company organized the "Booster Workshop" from December of 2015 continuously until May of 2016 by inviting experienced and knowledgeable individuals to advise about planning and setting up performance assessment together in the same line of work and for the High Level Executives, in order to achieve the visions and create a strong organizational culture.

(1) Board of Directors

- 1.1 The Board of Directors is composed of members with diverse skills, experience and expertise in specialized areas that are beneficial to the Company. They will play a vital role in formulating organizational policies, overall business framework and business plans of the Company, as well as overseeing, monitoring and evaluating the operating results of the Company to ensure they are consistent with the defined plans. The Board is also responsible for ensuring that the Company's business operation is in compliance with the laws, regulations and resolutions of the shareholders' meeting with integrity, morality and business ethics. Furthermore, the Board oversees the operational performance of the management to be in line with the objectives and guidelines set forth and for the maximum benefits to the Company and the shareholders. The Board shall have at least one non-executive director with experience in engineering product trading business, which is the Company's core business, and at least one non-executive director with accounting and finance experience. The Board of Directors has disclosed its policy on determination of the Board composition and the term of office of directors in the Annual Report and on the Company's website.
- 1.2 The Board of Directors has adequate number of directors for overseeing the business operation of the Company. Each member of the Board has sufficient knowledge, experience and competency in performing their duties efficiently. The Board shall have no fewer than five members and no more than nine members as required by law and at least half of the total number of directors shall be non-executive to ensure proper checks and balances between executive directors and non-executive directors. At present (as at December 31, 2016), the Company's Board of Directors is composed of ten members, of whom six are non-executive directors (four of whom are independent directors and audit committee members) and four are executive directors, i.e. Chief Executive Officer, 2 Managing Directors and Assistant Managing Director.
- 1.3 The Board of Directors has three independent directors out of a total of seven directors, which accounts for more than one-third of the total number of directors. All the independent directors may independently give opinions regarding the performance of the management, hence proper checks and balances in the voting on various matters, and review the operational performance of the management for the optimum benefits of the Company. These three independent directors are also Audit Committee members. The number of independent directors and Audit Committee members are in compliance with the requirement of the Office of Securities and Exchange Commission that at least one-third of the total number of directors shall be independent directors and three of the total number of directors shall sit on Audit Committee. In addition, all independent directors and Audit Committee members shall have the qualifications as prescribed by the Notification of the Capital Market Supervisory Board.
- 1.4 The Board of Directors shall represent all the shareholders, not any particular group of shareholders.
- 1.5 The Board of Directors has established a policy which requires the number of directors who are not independent directors to be in fair proportion to the equity of the controlling shareholders.



1.6 The appointment of directors shall be in accordance with the Company's articles of association and the relevant laws. It shall be carried out transparently with the nomination process clearly under corporate governance principles and based on candidates' educational background and professional experience, information of which shall be sufficiently in detail to support the Board of Directors' and the shareholders' decision making.

Pursuant to the Company's articles of association, at each annual general meeting of shareholders, at least one-third of the directors shall vacate their office. If the number of directors cannot be divided into three, the number nearest to one-third shall retire. The directors to vacate office in the first and second years following the registration of the Company shall be drawn by lots. In the subsequent years, those longest-serving shall vacate office. Directors who retire by such rotation may be re-elected.

1.7 The office term of each director shall be as specified in the Company's articles of association. Directors who vacate office may be re-elected without any limit in number of times. Regarding the qualifications of independent directorship, the Board has set as a policy to annually review the independence of independent directors who have sit on the Board for nine consecutive years or three consecutive terms.

1.8 The Board of Directors has clearly separated the power and responsibilities concerning the formulation of corporate governance policy from routine administrative operation. The Chairman of the Board and Managing Director shall be elected by the Board and must not be the same person in order to ensure clear segregation between the role in formulating corporate governance policy and that in routine administrative operation. The Company has clearly segregated the roles and responsibilities of the Board of Directors from the management to ensure proper checks and balances in terms of operation. The Board of Directors shall be responsible for determining the policies and overseeing the operational performance of the management at the policy level whereas the management is in charge of managing the business operation in various areas in line with the policies in place. The Chairman of the Board shall take no part in routine administrative operation but regularly give supports and recommendations concerning the operation carried out by the management via the Managing Director. Meanwhile, the Managing Director shall administer the Company's business operation within the scope of power assigned by the Board of Directors.

1.9 The Board of Directors has set the number of companies in which each director may hold office to be no more than five listed companies with prudent consideration of the efficiency of directors serving more than one company to ensure that each director can dedicate enough time to performing their duties.

1.10 The Board of Directors has a policy on the directorship of its members in other companies in accordance with the Company's articles of association which prohibits the Board members from conducting a business, or being a partner in any ordinary partnership or a partner with unlimited liability in any limited partnership, or being a director of other limited company or public limited company which conducts business of the same nature as that of the Company and business that is in competition with that of the Company unless a prior notice is given to the shareholders' meeting before the passing of the appointment resolution.

Furthermore, the Board of Directors has no policy to appoint any management member to be a director of any company outside the Company's group of companies. In the event that any member would like to do so, a prior consent must be obtained from the Executive Committee unless in case of directorship in non-profit charitable organizations. Nevertheless, such directorship must not be conflicting with the laws and regulations relating to the business operations of the Company and his/her post in the Company must not be used as a reference to support any businesses outside the Company.

1.11 The Board of Directors has appointed the Company Secretary who has appropriate experience and qualifications in performing the roles and responsibilities specified in the Securities and Exchange Act. The Company Secretary is responsible for providing advice on the laws and regulations of which the Board members need to be aware and making arrangements for all activities pertaining to the Board of Directors, as well as coordinating with relevant parties to ensure they follow the resolutions of the Board of Directors. The qualifications and professional experience of the Company Secretary are disclosed in the Annual Report and on the website of the Company.

1.12 The Board of Directors supports and encourages the Company Secretary to continuously undergo training and development of knowledge on legal and accounting areas as well as that on secretarial duties.

(2) Supporting Committees

2.1 The Company has three supporting committees, comprising Audit Committee, Executive Committee, and Risk Management Committee to take charge of specific areas and report the matters to the Board of Directors for consideration or acknowledgement. These committees have the rights and duties as defined in the scope of power, duties, and responsibilities of each committee.

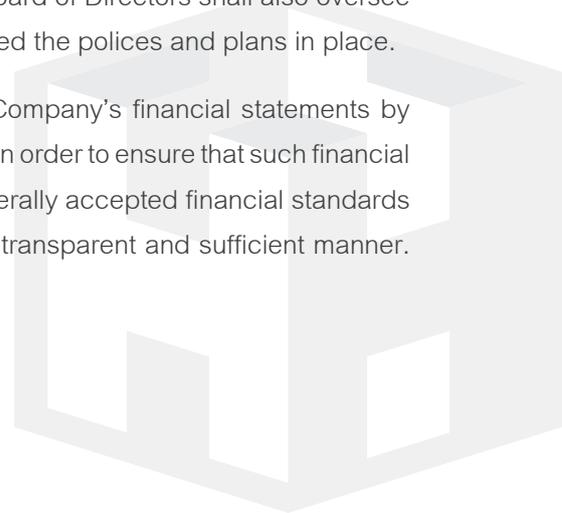
2.2 Supporting committees shall have the rights and duties as specified under the roles and responsibilities of each supporting committee. The Chairman of the Board shall not chair or become a member of any supporting committee to ensure true independence of the supporting committees in performing their duties.

(3) Roles, Duties and Responsibilities of the Board of Directors

3.1 Duties and Responsibilities of the Board of Directors

The Board of Directors is responsible for considering and giving approval of significant matters concerning the operation of the Company, such as corporate vision, policies, strategies and goals, as well as business plans, annual budget, internal control and risk management. The Board of Directors shall also oversee to ensure that the management has efficiently and effectively followed the policies and plans in place.

Furthermore, the Board of Directors shall be responsible for the Company's financial statements by assigning the Audit Committee to conduct review of financial reports in order to ensure that such financial reports are properly and accurately prepared according to the generally accepted financial standards and that all essential information of the Company is disclosed in a transparent and sufficient manner.



There shall be joint meetings between the accounting department and/or the auditor. Financial reports shall be presented to the Audit Committee and the Board of Directors on a quarterly basis. The Board of Directors shall be responsible for the Company's financial statements and financial information (report on the Board of Directors' responsibility towards financial reports) which are disclosed in the Annual Report of the Company.

3.2 Corporate Governance Policy

The Board of Directors has established corporate governance policy in writing and approved such policy at the Board of Directors' Meeting No. 3/2014 held on May 15, 2014. The Board of Directors has communicated with every member within the organization to ensure that they have the accurate and common understanding of such policy and that the policy has been adopted organization-wide. The Board of Directors shall review the policy and compliance with the policy at least once a year. In 2016, the Company had revised the corporate governance policy twice in June and November.

3.3 Code of Conduct

The Board of Directors is committed to carry out the Company's business with integrity and fairness by defining the code of conduct to be adopted among the directors, executives and employees of all levels so that every member within the organization understands the ethical standard which the Company upholds in carrying out its business operation, as well as to set up a practice guideline to reflect corporate intention in conducting its business with transparency and fairness and with responsibility towards all stakeholders, the society and the environment, all of which are done through trainings and various forms of internal communication. Such code of conduct also reflects corporate values and practices adopted by the employees in compliance with the defined ethical standard. The Company has made announcements and informed all members across the organization to strictly follow the code of conduct and guideline while the Board of Directors shall be responsible for ensuring strict compliance with such code of conduct.

3.4 Conflict of Interest

The Board of Directors has carefully considered matters concerning conflict of interest. Transactions with possible conflict of interest are considered based on clear guidelines in the best interests of the Company and the shareholders. The Board has put in place a policy which prohibits directors, executives, employees and related persons from seeking personal interests which may contradict the interests of the Company, and that all actions which may lead to conflict of interest shall be avoided. Persons involved with or having beneficial interest in or having connection with the transaction under consideration shall inform the Board of their relationship or involvement with such transaction and they shall not be allowed to take part in any decision making concerning such transaction.

The Audit Committee shall present to the Board of Directors the related party transactions and transactions with conflict of interest which have already been carefully considered in terms of appropriateness. The Company has strictly followed the guidelines set forth by the Office of Securities and Exchange Commission and the Stock Exchange of Thailand concerning the determination of prices and conditions engaged with persons with conflict of interest just like a transaction made with external parties.

The Board of Directors shall ensure that all requirements concerning the procedure are met and that the disclosure of transactions with conflict of interest is carried out in an accurate and complete manner. Such transactions shall be disclosed in the financial statements, the Annual Disclosure Statement (Form 56 - 1) and the Annual Report.

3.5 Internal Control

The Board of Directors recognizes the necessity to have in place efficient internal control mechanism at both managerial and operational levels as it is the key to building confidence by helping minimize business risks and enhance efficient operation through appropriate allocation of resources and achieving the defined goals. In addition, it can help prevent asset leakage, loss or misconduct, and ensure the accuracy and reliability of financial reports, encourage personnel compliance with relevant laws and regulations, and protect the equity investments of shareholders. Hence, the Company has clearly laid down the scope of duties and authority concerning various matters in writing for the management and operation functions, including overseeing the use of the Company's resources toward resource optimization and clearly separating the roles and duties between operation, control and evaluation functions to ensure proper checks and balances.

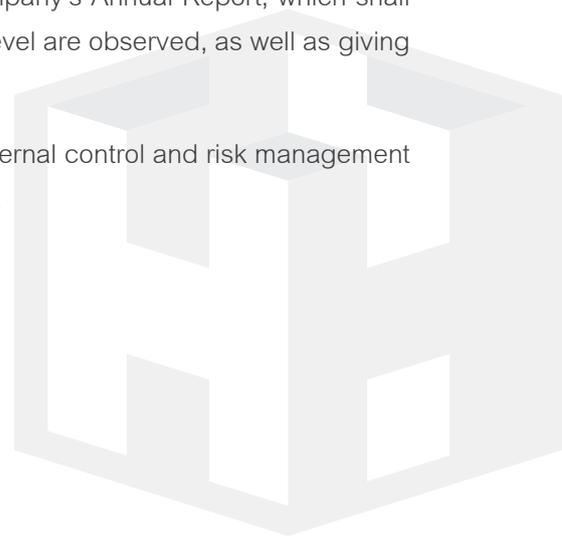
The Board of Directors has assigned the Audit Committee to take charge of reviewing the adequacy and efficiency of the internal control system set up by the management, establishing and reviewing the control system on operation, financial reporting and regulatory compliance, and overseeing the operation and risk management. The Board of Directors also looks into any warning signals and unusual transactions.

The Company has engaged Ultima Advisory Company Limited, an independent external party, as its internal auditor to examine and ensure the adequacy and suitability of the Company's internal control system. To enable the internal auditor to perform duties independently in order to promote proper checks and balances, the internal auditor shall directly report to the Audit Committee. The Company shall constantly monitor the assessment results to be assured of the system efficiency. The assessment on the adequacy of the internal control system and the reviewing process on major systems shall be carried out at least once a year, and the results shall be disclosed in the Company's Annual Report.

3.6 Risk Management Policy

The Board of Directors has mapped out the risk management policy to be adopted by the entire organization and implemented by the management. Reports must be presented to the Board of Directors on a quarterly basis. System review or assessment of the effectiveness of risk management process must be conducted at least once a year and disclosed in the Company's Annual Report, which shall be updated from time to time especially when changes in the risk level are observed, as well as giving importance to warning signals and unusual transactions.

3.7 The Audit Committee shall give opinions on the adequacy of the internal control and risk management systems, which shall be disclosed in the Company's Annual Report.



3.8 The Board of Directors has set up a clear procedure for whistleblowers or stakeholders who would like to report any suspicious acts either through Company's website or directly contacting with the Company by requiring them to directly report to the Company's independent directors or the Audit Committee so that they can proceed with the inspection process in place and report to the Board of Directors.

(4) The Board of Directors' meeting

4.1 The Company schedules meetings and prepares agenda items in advance and notifies all directors of the meeting schedule so they can arrange their own schedule and attend the meetings.

4.2 The Board of Directors holds at least four meetings a year (once every three months). The meeting schedule is set in advance for the entire year. There may be another meeting held one month before the annual general meeting of shareholders, and a special meeting held as deemed necessary. However, for flexibility in business operation of the Company, the Executive Committee will hold a monthly meeting to make decisions as assigned by the Board of Directors. The Executive Committee shall report resolutions of the meetings to the Board meeting so that the Board of Directors can direct, control, and oversee operational performance of the management in a consistent and timely manner.

4.3 At every Board meeting, the Board Chairman and the Managing Director jointly determine and approve issues to be put on the agenda. Other Board members are also allowed to freely propose issues that they think are beneficial to the Company to be included in the agenda. It is the responsibility of all the directors to consistently attend the Board meeting at least 75% of the total number of meetings held in each year.

4.4 The Company Secretary is in charge of sending the meeting notice together with the meeting agenda and meeting documents to all directors at least seven days before the meeting date so that they will have enough time to study the agenda items, unless in urgent case to protect the interests of the Company, the meeting notice may be sent by other means and the meeting may be scheduled earlier.

4.5 The Company Secretary has the duty to attend the Board meeting and prepare the minutes, which will be submitted to the Board Chairman for consideration and signing in certification. The Board Secretary will then present the minutes to the next Board meeting for adoption. The Company Secretary also has the duty to keep meeting information and documents for ease of reference in future. All Board members shall normally attend all meetings, except in case necessary, and in such case they shall inform their absence prior to the meeting.

The Board Chairman shall be chairman of the meeting to proceed with the meeting and allocate sufficient time for each agenda item. All directors are allowed to independently discuss and express their opinions on key issues with the best interests of the shareholders and other stakeholders taken into consideration on a fair basis.

Resolutions of the meeting shall be passed by majority votes. Each director shall have one vote, but the director who has interests in any matter shall not be entitled to attend the meeting and/or vote on such matter. In case of a tie of votes, the chairman of the meeting shall have a casting vote.

All directors have the right of access to meeting documents and other necessary documents. If the independent directors or members of the Audit Committee have any queries, other directors and the management shall put in efforts in responding to such queries as promptly and completely as possible.

In case the directors disagree with a resolution, they may request the Company Secretary to record the points of their disagreement in the meeting minutes or submit a letter to the Board Chairman to express their disagreement.

- 4.6 The Board of Directors encourages senior executives or executives concerned to attend the Board meeting as deem necessary and appropriate, to provide the meeting with additional beneficial information and details in the capacity of concerned parties, and to directly acknowledge the relevant policies from the Board for efficient implementation thereafter, as well as to support the Board's decision making and allow the Board members to be acquainted with the executives which will facilitate their consideration of the Company's succession plan afterward.
- 4.7 The Board of Directors can access additional necessary information from the Managing Director, the Company Secretary, or other executives assigned within the scope of designated policy. In case necessary, the Board may seek independent advice from external advisers or professionals, the expenses for which shall be borne by the Company.
- 4.8 The Board designates non-executive directors to have meetings among them as deemed appropriate without the attendance by executive directors or management to discuss problems in relation to the Company's business and other matters of interest. The resolutions of the meetings are notified to the Managing Director, the Chairman of the Executive Committee, and the Board of Directors. Such meetings are chaired by the Board Chairman. If the Board Chairman cannot attend the meeting, a director shall be elected to chair the meeting while the Company Secretary shall serve as secretary to the meeting.

(5) Remuneration

- 5.1 Remuneration for directors shall be commensurate with their experience, duties, scope of accountability and responsibility together with benefits expected from each director. The Board of Directors has set out clear policy and criteria on director remuneration, which will be proposed to the shareholders meeting for approval annually. Determination of the remuneration shall be transparent, examinable, and comparable to those of other companies with similar scale in the industry, as well as sufficient to attract and retain capable directors. Additional duties and responsibilities of directors who are appointed as members of supporting committees, such as Audit Committee, etc., are also taken into consideration.
- 5.2 Remuneration for Managing Director and senior executives shall be in line with the principles and policy set out by the Board of Directors and/or the Executive Committee and for the maximum benefits to the Company. The amount of remuneration, including salary, bonus, and variable pay, shall be appropriate and correspond to performance of each executive. Executives who have additional duties and responsibilities shall receive an increased amount of remuneration to match their larger scope of

duties and responsibilities. Moreover, remuneration shall be comparable to those of other companies in the same business to retain capable executives while taking into account benefits to the Company and the shareholders.

- 5.3 All non-executive directors shall assess the performance of the Managing Director annually to accompany the consideration of remuneration for the Managing Director based on criteria and benchmark priorly agreed upon with the Managing Director under concrete criteria including results of financial performance, operational performance toward long-term strategic objective, and executive personnel development. The performance evaluation result shall be subject to the Board of Directors' consideration and approval, which shall accordingly be notified by the Board Chairman to the Managing Director.

(6) Development of Directors and Executives

- 6.1 The Board of Directors encourages and facilitates the training of and the provision of knowledge for concerned parties in the corporate governance mechanism including Board members, Audit Committee members, executives and company secretary to ensure ongoing improvement of work performance.
- 6.2 For every new director appointment, the management will provide the new director with documents and information useful for his performance of duty including information on the Company's nature of business and business direction.
- 6.3 The Board of Directors has designated for the Managing Director to regularly report the Board of the personnel development and succession plan. The Managing Director and top executives have to prepare the succession plan to position successors in case they can no longer perform their duties.
- 6.4 The Board of Directors has made available executives development program, the progress of which is to be reported annually by the Managing Director. The development program is taken into account when considering the succession plan.

The Board of Directors has been trained by the Thai Institute of Directors (IOD) as follows :

Name		DAP	DCP	SFE	FSD	RCP	ACEP	ACP	FND	ELP
Dr. Thakol	Nunthirapakorn	8/2004	228/2016					8/2005		3/2016
Mr. Wirat	Sukchai	SET/2012	204/2015	24/2015		36/2015	14/2015			
Mrs. Sirima	Iamsakulrat	SET/2012	211/2015	24/2015						
Mrs. Valeeratn	Chuerboonchai	SET/2012	205/2015		28/2015		14/2015			
Mr. Parkphum	Wongpaitoon	42/2005				36/2015	14/2015			
Dr. Sothitorn	Mallikamas	102/2013								
Miss Voranuc	Supaibulpipat	SET/2012								
Mr. Wasan	Nantakhwang	116/2015	211/2015	24/2015	28/2015					
Mr. Thammanoon	Tripetchr	116/2015	211/2015	24/2015	28/2015					
Dr. Supot	Tiarawut		195/2014						20/2005	

Note : * The Extraordinary General Meeting of Shareholders No. 1/2016 on November 1, 2016 resolved to appoint Mr. Wasan Nantakhwang, Mr. Thammanoon Tripetchr and Mr. Supot Tiarawut as the member of the Executive Committees

(7) Self-assessment of the Board

7.1 The Board of Directors and supporting Committees regularly conduct self-assessment on operating performance at least once a year in order to jointly consider the outcome and problems to seek corrective measures.

7.2 The Company discloses the criteria, procedure and result of the self-assessment of the Board in overall in the Annual Report

1. Self-assessment procedure

1.1 Board of Directors

- The Board of Directors shall approve and review the assessment form in order to ensure the accuracy, completeness and conformity to the criteria set by the regulatory authorities.
- The Company Secretary shall summarize and analyze the performance evaluation of the Board of Directors, and report the result to the Board of Directors.
- The Company Secretary shall use the results and comments from the Board of Directors for developing an improvement plan.

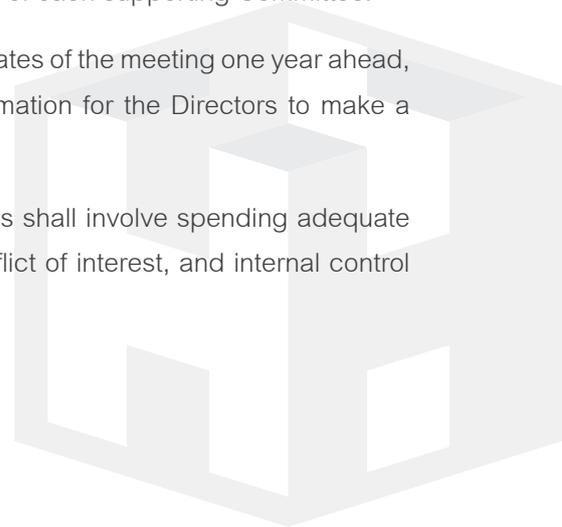
1.2 Individual Directors

- The Board of Directors shall approve and review the assessment form in order to ensure the accuracy, completeness and conformity to the criteria set by the regulatory authorities.
- Individual director shall conduct self-assessment in order to express comments regarding the directors' roles, independence, management structure, knowledge development and other comments regarding the corporate management.
- The Company Secretary shall summarize, analyze and report to the Board of Directors the assessment result, and develop an individual improvement plan.

2. Self-assessment criteria

2.1 On Board basis

- The structure and qualifications of the Board of Directors shall be diverse in terms of the directorship, proportion of the directors, and qualifications of each supporting Committee.
- The Board of Directors meeting consists of setting up the dates of the meeting one year ahead, the quality of the documents, the sufficiency of the information for the Directors to make a decision.
- Roles, duties and responsibilities of the Board/Committees shall involve spending adequate time to consider important matters, transactions with conflict of interest, and internal control and risk management systems.



- The meetings of the Board of Directors shall involve the pre-determined meeting agenda for the entire year, quality of the documents, and adequacy of information for the directors decision making process.
- The Board of Directors' performance of duties shall involve efficiency in attending the meeting, voting independence, expression of opinions, and setting of meeting timeframe.
- Relationship with the management team involves allowing the opportunity for co-discussion and joint participate in problem solving.
- Self-development of the directors and development of executives shall involve understanding the roles and responsibilities of the directors, having knowledge and understanding of the Company business and surrounding environment which affects the Company business, and succession plan.

2.2 On individual basis

- The structure and qualifications of the Board of Directors shall be diverse in terms of the directorship and adequate in terms of performance of duties.
- The meetings of the Board of Directors shall involve meeting attendance, expression of opinion, and study of agenda items in advance.
- Roles, duties and responsibilities of the Board of Directors shall involve independence in expression of opinion, adequacy of participation in the Company' s activities, internal control and risk management systems, and disclosure of information.

3. Results Assessment

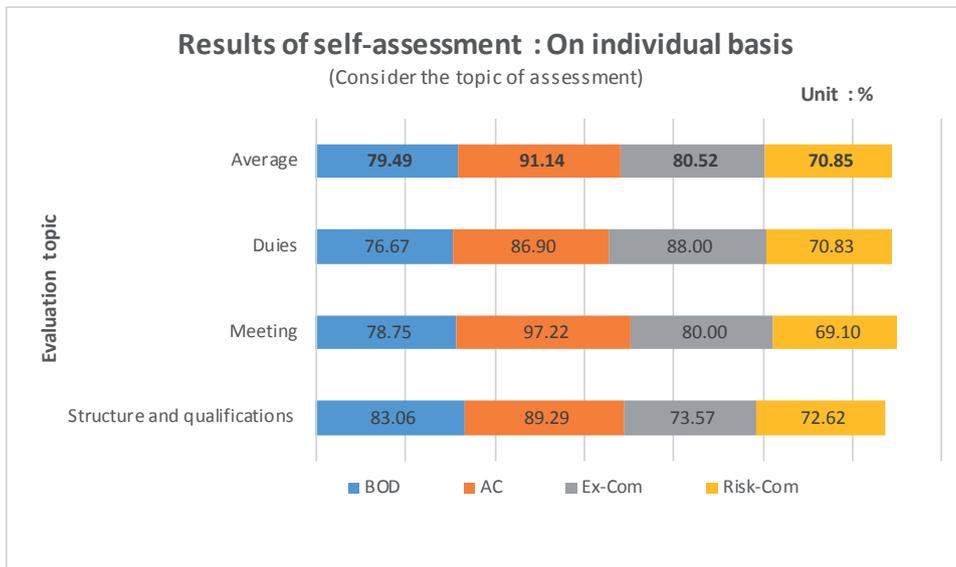
Evaluation criteria are as follows :

over 90	=	excellent
>80 - 90	=	good
>70 - 80	=	pretty good
>60 - 70	=	Fair
Since 60 down	=	should improve



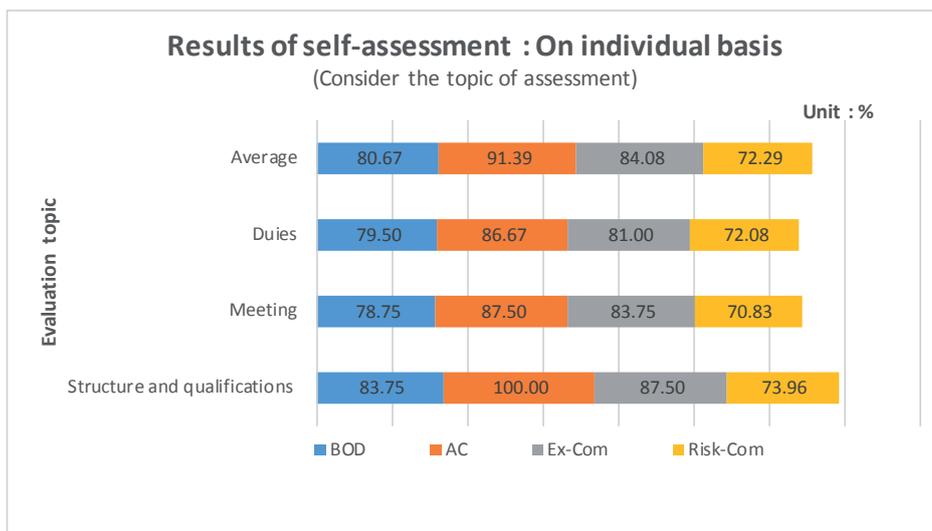
Results of 2016 self-assessment of the Board of Directors as follows :

Results of 2015 self - assessment



Results of self-assessment : On Board basis

Evaluation topic	Structure and qualifications	Meeting	Duies	Average
BOD	83.06	78.75	76.67	79.49
AC	89.29	97.22	86.90	91.14
Ex-Com	73.57	80.00	88.00	80.52
Risk-Com	72.62	69.10	70.83	70.85



Results of self-assessment : On individual basis

Evaluation topic	Structure and qualifications	Meeting	Duies	Average
BOD	83.75	78.75	79.50	80.67
AC	100.00	87.50	86.67	91.39
Ex-Com	87.50	83.75	81.00	84.08
Risk-Com	73.96	70.83	72.08	72.29

The assessment summary for the Board of Directors' performance of the year 2016 was discovered that the results was good and better apart from the Risks Management Committee whose average in the committee and for the individuals were at 70.85 and 72.29 respectively. This was caused by the restructure of the internal operation which led to the lack of continuity in considering the risk factors that could affect the Company, including the development of the risks management directors. However, in November 2016, the Company requested for the approval at the Extra Ordinary Meeting of the Shareholders to appoint Dr. Supot Tiarawut to be the Chairman of the Risks Management Committee since he is knowledgeable, capable and experienced in the field of risks management and can offer advice on the directions of risks management that is most appropriate for the business operation efficiently and in accordance with the Company's strategy.

(8) Business Code of Conduct

For all of the time that has been in the business, The Company always upholds and follows the principle of moral conducts and code of ethics in order to create credibility in terms of management by treating the stakeholders fairly, including having a standard internal and external audit.

However, in order for the Organization to proceed efficiently, achieve the set goals and operate its businesses on the basis of responsibility, transparency and honesty, the Company had established the "Business Code of Conducts" in which the Directors, the Executives, and the employees must adhere to as the guidelines in their operations as follows;

- 1) Follow the laws and regulations related.
- 2) Perform one's duty with responsibility, honesty, diligence and with discipline.
- 3) Avoid conflict of interests.
- 4) Protecting the Company's confidential information.
- 5) Protecting the Company's assets.
- 6) Avoid receiving gifts, offerings, and business meals
- 7) Using the rights socially and politically.
- 8) Treat the stakeholders fairly.
- 9) Purchasing.
- 10) Respect of human rights
- 11) Follow the laws, regulations and relating rules and respect the cultures and traditions.
- 12) Being political neutral
- 13) Provide funding and give donation supports.
- 14) Not giving or receiving gifts, assets or any other benefits.
- 15) Conflict of interest.
- 16) Related transactions
- 17) Keeping the secrets and using the internal information.
- 18) Marketing communication.
- 19) Intellectual properties.
- 20) Using information and communication technology.
- 21) Disciplinary actions

(9) Anti-corruption policy

The Company adheres to operate its businesses responsibly, honestly, transparently, independently, with responsibility towards the society and all groups of the stakeholders following the principle of corporate governance in order to build confidence in the stakeholders and support sustainable growth.

The Company is aware that corruption is a large obstruction to the said goals, including being a significant hindrance for developing fair competition and also the development of the economy and the country. In order to achieve the goals, the Company has established the anti-corruption policy, including assigning the roles and responsibility and practical guidelines as well as procedural measures as follows;

9.1 Definition of the Anti-Corruption Policy

Corruption means any actions be it offering, promising, soliciting, demanding, giving or accepting assets or any benefits to the government officials or any other individuals dealing business with the Company both directly or indirectly for the purpose of that individual to perform or to ignore the duty so that the inappropriate business benefits are gained that the laws, rules, regulations, cultures and traditions or trade etiquettes state otherwise.

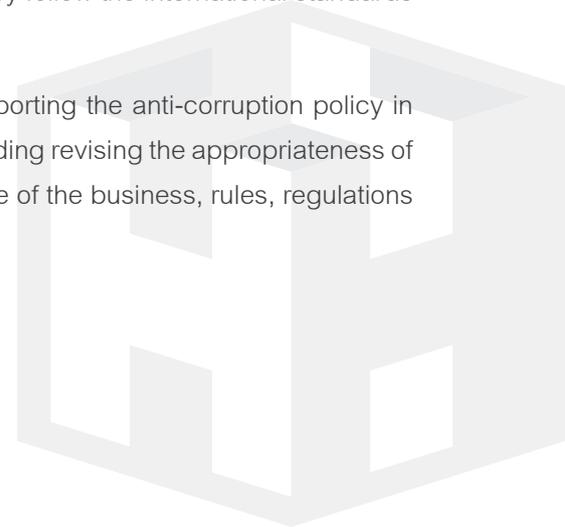
9.2 Anti-Corruption Policy

The Company adheres to operate its businesses responsibly, honestly, transparently, independently, with responsibility towards the society and all groups of the stakeholders following the principle of corporate governance in order to build confidence in the stakeholders and support sustainable growth.

The Company is aware that corruption is a large obstruction to the said goals, including being a significant hindrance for developing fair competition and also the development of the economy and the country. In order to achieve the goals, the Company has established the anti-corruption policy, including assigning the roles and responsibility and practical guidelines as well as procedural measures as follows;

Responsibilities

1. The Board of Directors is responsible for setting the policy and enforcing the system that efficiently supports the anti-corruption policy, in order to ensure that the Manage is aware and understands the importance of the said policy.
2. The Audit Committee is responsible for reviewing the financial and accounting report systems, internal control system, risks management system, in order to ensure that they follow the international standards and the SET standard precisely, appropriately and effectively.
3. The Executives are responsible for setting up the systems and supporting the anti-corruption policy in order to communicate to the employees and all relating parties, including revising the appropriateness of the systems and all measures so that they are in line with the change of the business, rules, regulations and the laws.



Guidelines

1. The Board of Directors, the Executives and the employees must follow the anti-corruption policy and measures and the principle of corporate governance by not getting involved with corruption both directly or indirectly.
2. The Board of Directors, the Executive and the employees will not ignore or neglect when discovering actions that may relate to corruption by immediately report to the superior or responsible person or the Audit Committee or through the channels provided and to cooperate with all investigations.
3. The Company will fairly treat and protect the employee who refuses to deny or refuse the corruption activities relating to the company by not demoting, punishing or giving any disciplinary actions.
4. Any personnel who engage in corruption which is violating the Company's business code of conduct will face disciplinary actions according to the regulations of the Company and may face legal actions.
5. The Company will communicate the anti-corruption policy and measures, including methods of how to report the incidents, appeals or suggestions through all media such as the notice boards, radios, at the Directors and employees orientation and the intranet, in order to create an understanding of this policy and carried out as the organizational culture.
6. The Directors, Executives and the employees must avoid giving or receiving gifts and/or offerings, assets, other benefits including going to meals that causes more than usual between business relating parties or with others so that there are no opportunities for corruption or cause any unfair practices to relating parties and to help making the purchasing procedures going appropriately and efficiently.

Complaints and Leads Countermeasures

The Company provides channels for complaints, opinions, and suggestions and for giving leads which covers the process of complaints, investigations and summary, including the protection of the informer and relating parties or the stakeholders affected or risk of being affected by the business operation of the Company or from the duty performed by the Directors, the Executives or from the Company's employees relating to the violation of the code of conducts, the laws, including behaviors that may imply corruptions. The Company encourages the informer to complain of give the leads.

However, the informer may notify the leads by specifying in the decampments that the information is 'confidential', addressing the Chairman of the Audit Committee who is the independent Director through the following channel;

- Letter - To Chairman of the Audit Committee
Harn Engineering Solutions Public Company Limited
19/18-19 RCA Block A, Rama 9 Rd.
Bang Kapi, Huay Ma, Bangkok 10310
- E-Mail chairac@harn.co.th

The Chairman of the Audit Committee will directly take in the case with the informer not needing to identify themselves if they do not wish to reveal themselves. The informer, the whistleblower will receive appropriate protection from the Company, for example no posts relocation, nature of the work, the place of work, suspension from work, threats, disrupt the work operation, contract termination or any other actions that are not fair to the Company. The Company will keep the information confidential and not disclosing it to unrelated parties unless those required to show by the law.

Relating individuals that acknowledges the story or the information regarding the issue that relates to the complaints must keep the information confidential and not revealing it to other parties unless required to do so by the law. If the employees intend to break the rules and reveal the information, the Company will proceed with the disciplinary actions and/or allow legal actions according to the law, depending on the case.

Operational Performance in 2016

1. The Company had promoted the understanding through training and seminars under the heading 'Good practice and the anti-corruption policy' on the 27th August, 2016 at the Bangkok Chada Hotel, by inviting the guest speakers, Professor Thanakrit Permpoonkantisook, in order to understand and can use it practically, including proposing the anti-corruption policy participated by 43 high level executives.



2. The Board of Directors on the 2nd December 2016, was of the opinion that the Company is to express its intention in joining with the Thai Private Sector Collective Action Coalition (CAC) in March of 2017.



15. Corporate Social Responsibility

1. Corporate Social Responsibility Policy

The Company is aware of its corporate social responsibility (CSR), an element that enhances sustainable growth of the business. The Company had specified its responsibility to the society within the visions, missions, values and goals of the Company as displayed in section 1 and established a commitment on sustainability that states “Quality living through sustainable engineering” which will be further developed into long-term sustainable strategy.

The Company plays an important role in raising the quality of lives and the safety of the society by providing 'Sustainable Solution 1 services for the engineering systems. This is done by experts in products selection and innovations which responds to the demands in order to improve the quality and the safety of the consumers with high quality products and services.

The Company had followed the practices on social responsibilities as follows;

Fair business operation

In the course of business operation, the Company is committed to fair and ethical administration, creating management credibility. The fair treatment shall apply to all groups of stakeholders, including shareholders, customers, business partners, and competitors. The Company promotes fair competition to motivate innovations and improvement of products and services, which will in turn contribute to economic growth and better standard of living in the long run. In addition, the Company also promotes social responsibility in all stages of business chain, takes responsibility for its actions which may affect the society and the environment, and the effect on other businesses due to its procurement activities, in order to avoid or minimize the negative impact, as well as respects the rights in properties and commits no violation of intellectual property. In so achieving, the Company has established the following guidelines:

Promote fair competition

1. Undertake the business activities in compliance with the law and competition regulations, and cooperate with the government authorities.
2. Establish the procedure and measure preventing the involvement in or conspiracy with the behavior against fair competition.
3. Ensure the employees be aware of fair competition and compliance with applicable competition law.
4. Promote fair competition and activities, and support anti-monopoly and anti-dumping.
5. Pay attention to the Company's social context and not take advantage of natural or social conditions, such as poverty, to unfairly create competitive advantages.

Promote social responsibility in value chain

1. Integrate social and environmental measures in the measures and procedures for procurement and distribution.
2. Encourage other relevant companies to accept and apply the similar policy in order to prevent unfair competition.
3. Actively participate in elevating awareness of the principles and issues relating to CSR activities in which the Company takes part.
4. Promote fair treatment to one another throughout the value chain, both in terms of costs and benefits of implementing CSR activities; that is to say, improve the capability to achieve the CSR targets in all operations of the value chains including appropriate procurement such as creating guarantee for fair price with adequate lead delivery time and an established trade agreement.

Promote respect for the right over property

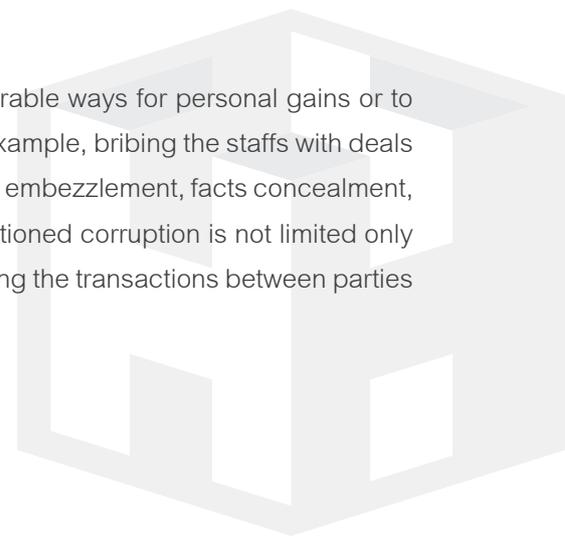
1. Appropriately check to ensure that the Company is legally allowed to use and grant the right to use a certain property.
2. Not participate in any activity violating other person's properties, for example, inappropriately using advantageous marketing position, producing fake products, and intellectual property infringement.
3. Fairly pay for the use or acquisition of a certain property.

However, the Company has a compensation measure in place in case any stakeholders are affected by the Company's violation of the rights of the stakeholders. It opens a channel for providing information or reporting the violation of law or ethics through an independent director and a member of Audit Committee. The Company has an established procedure for actions to be taken after getting the report of such issue. The reported matter shall be investigated and then submitted to the Company's Board of Directors.

In addition, the Company also sets a practice guideline for the directors, top executives and employees, including code of ethics and accountability for the stakeholders. The guideline is aimed at creating behavioral standard for the operation of such personnel on an integrity basis. It is also a guideline for the Board members, top executives, and employees organization-wide to be aware and follow. In this regard, the Company has set a process to monitor such performance on a regular basis.

2. Anti-corruption

Corruption means abusing the given authorities or assets in the undesirable ways for personal gains or to damage other people's benefits. Corruption may come in many forms, for example, bribing the staffs with deals either as money or as gifts, conflict of interests, cheating, money laundering, embezzlement, facts concealment, obstruction of justice and trades under outside influences. The above mentioned corruption is not limited only to the relationship of the private sector and the government, but also including the transactions between parties or businesses amongst the private sectors as well.



The Company is aware of the negative effects of corruption, fraud, and taking personal benefits of the organization. It has established an anti-corruption policy and appropriate practice guidelines to prevent corruption and set the course for the Board members, top executives, and employees to follow and to avoid inappropriate practice. Compliance with the established guideline shall be monitored regularly. The guideline shall be revised from time to time in order to suit the changes in business, regulations, requirements, and laws.

The practice guidelines are as follows;

- 1) Directors, Executives and all employees must strictly follow the anti-corruption policy by not being involved with corruptions both directly or indirectly, including not being ignorant when discovering acts which connect to the corruption relating to the Company.
- 2) Not engaging or supporting any forms of corruptions including controlling the donations, business gifts and the supports of any activities must be done transparently and with no intentions to convince the staffs or the government officials to act inappropriately.
- 3) Establish internal control systems, risks management, including appropriate and effective internal audits in order to prevent undesirable actions.
- 4) Encourage employees, contractors and trading partners to be aware of corruptions which may occur and the anti-corruption policies.
- 5) Educate the Directors, Executives and employees on the topic of anti-corruption in order to promote honesty and responsibility to their works by holding seminars on anti-corruption for the new employees within 90 days from the start of employment.
- 6) Acknowledge the importance of knowledge dissemination and the understanding of others who must follow their duties which are related to the Company, or affected the Company. All actions must be carried out following the anti-corruption policies.
- 7) Arrange for good practices regarding the receiving and giving of gifts, assets or other benefits with the objective of preventing corruptions or unfair treatments to other parties. For the purpose of the efficient and appropriate purchasing process, the receiving of gifts and/or offerings with unusual values from business related parties or from others which may benefit from the actions of the employees must be avoided. This also includes avoiding meals offering from Companies related business parties which may have benefitted from the actions of the employees.
- 8) Prepare communication channels for reporting leads on corruption where employees can report any suspicious activities in the regulated channels announced by the Company with specific details on the crimes, disciplinary actions and may face legal charges if the action is against the law.
- 9) Provide justice and protect the employees who refuse to report the corruptions regarding the Company by following the complainant protection policy when reporting the corruption.

In 2016, the Company had promoted education in the form of workshop under the title “Good Practices on Anti-Corruption” on the August 27, 2016 at Bangkok Cha-Da Hotel by inviting Mr. Thanakrit Permpoonkantisook as the guest speaker in order to educate and allow the participants to apply practically, including proposing the solutions and preventions for corruptions in the various departments together. The workshop was attended by Executives from the Manager levels and above.



The Company plans to declare its intention in joining the Private Sector Collective Action against Corruption (CAC) in the year 2017 going forward.

3. Respect for Human Rights

The Company conducts its business with respect to the lives and dignity of all humans, promotes all areas of the Company to operate on the basis of dignity and protect the civil liberties including equal treatment for all parties which is the root of management and human resource development. The practice guidelines are as follows;

1. The Company has guidelines to promote and motivates the practice based on the principle of basic human rights and equality by disregarding the differences between nationalities, race, colour, sex, language, religions, political or any other beliefs, ethnicity or social background, wealth, birth or social status.
2. The Company supports and respects the protection of human rights by regularly inspecting its own business so that it does not involve with activities which violates the human rights, for example, not supporting forced labor, or opposing to child labor.
3. The Company respects the opinions of the employees which cover the freedom of opinions that is free from outside influences, obtaining information or ideas from various medias, including providing the communication to freely listen to the opinions of the stakeholders.

4. Fair treatment of employees

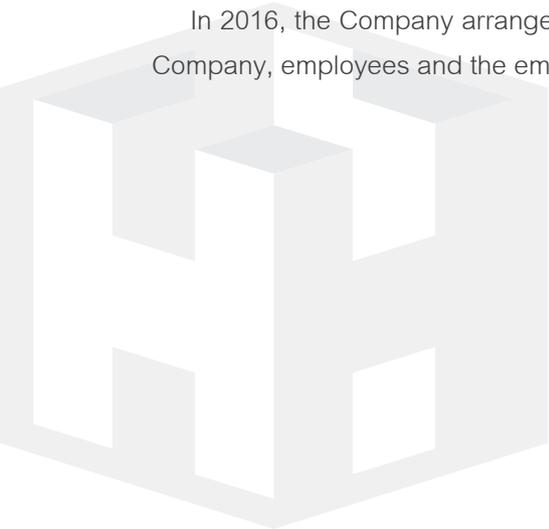
The Company values all employees who are important resources of the Company, driving the organization toward the business goal. Therefore, it has a policy in place to create good quality of life for employees by providing fair employment condition, suitable welfare, promising career path, and safe and healthy workplace.

The practice guidelines are as follows;

- 1) Strictly comply with the laws and regulations which relate to the employees.
- 2) Provide a good working atmosphere that is safe to the lives and assets of the employees.
- 3) Treat the employees gently, respect their individuality and human dignity.
- 4) Fair remunerations for employees.
- 5) The promotion, relocation, including rewards and disciplinary actions are conducted fairly by considering the knowledge, capabilities and suitability of the employees as the standard.
- 6) Emphasizes on the skills development of the employees by providing regular opportunities and equally.
- 7) Avoid any unfair actions which may affect the stability of the employees' jobs or threaten and create stress to the employees.
- 8) Employees have the rights to appeal when they are treated unfairly according to the process and system in place.
- 9) Listen to suggestions and opinions of the employees from all levels equally and fairly.

The Company emphasizes on the communication with the employees by organizing annual employees meeting in order for the higher managements can relay the visions, missions and strategies to all levels of employees in the Organization and set up the Organization values so that the employees may grasp the shared values and strive for the expected goals. The Company believes that creating stability in the jobs of the employees in the Organization, providing better quality work life, good health and happiness are parts of work efficiency. The Company prepares engagement, happiness and satisfaction questionnaires regarding the works of the employees in order to help with quality development. Moreover, the Company had hired specialist consultants to develop the human resource management system and the key performance index (KPI) together with the Company's Executives and the employees.

In 2016, the Company arranged the first official "Family Day" in order to establish the bonds between the Company, employees and the employees' families.





Remunerations and Benefits for the Employees

The Company had established the Welfare Committee to take care and be responsible for all levels of employees in the Organization, so that the employees can feel fully participated in terms of setting the policies. The employees are the main force that drives the business growth and maintain its sustainability as in the present. Other than the salary that the employees receive, the Company also provides benefits and welfares in various forms fairly and appropriately. All of the benefits in which the Company provides are based on the same standard as the leading public company in the similar industry and in the capability of the Company to provide.

Currently, the remunerations and benefits provided for the employees are monthly salary, annual bonus according to the Company's profit and the employees' KPI in order to create incentives to work, overtimes, rewards, life insurance, accident insurance, compensation funds, social security funds in accordance with the Department of Labor, provident funds and the Employee Joint Investment Program (EJIP) which allows the employees to buy the Company's stocks and truly become the owner of the business, employee uniforms, funeral allowance and also annual travel trip for the employees to relax and bond between colleagues. The Company also has other benefits which are not required by the law such as the annual employees' health check-ups, medical expenses from sickness or accidents outside of working hours. All of these benefits are incentives for the employees to work hard professionally, dedicating to the work with knowledge, skills and determination and will result in the best performance.

Occupational Health, Safety and Environment Policy

The Company concerns about the safety at work for all employees and aims to do everything possible to oversee the occupational health, safety and the working environment continuously and effectively, together with the employees' operations. The Company prepares the "Safety Manual" which acts as guidelines for safe operations. Seminars and basic fire drills are held, including the planning and assigning responsible persons so that the practice is carried out correctly and efficiently every year.

Human Resource Development

The Company had carried out the human resource development strategy as planned from 2016 fully and completely with the details as follows;

1. Bonding activities and team work to achieve the Organization's goals.

The best method of learning is to learn from the actual experience which no one could provide. However, direct experience comes from engaging in the actual operation or a process called "learning by doing", the Company, therefore, organizes the Team Building activity, which is held for the 8th time and compliments the new Organizational value, "Positive". The employees who participate will take part in the activities and learn from the various activity stations which teaches the meaning of each new values of the Organization in order to promote the relationship between each department, working as a team for the single goal, developing the attitude of being a good leader and follower, including increasing the efficiency of the communication leading to greater team power for developing the works and the Organization.

2. Seminars and Development

The Company strives to develop and prepare for the human resource development since the employees start working in order to build up the skills, knowledge and emotional quotient. Employees must undergo the course "EQ: The Art of Emotional Management for Effective Life and Work". The Company also emphasizes on sales and services which is considered the heart of the business by hosting trainings to develop skills for sales and services staffs to modify the attitudes towards sales, be of serviced mind, be enthusiastic and learn the art of speaking and negotiating which is the key concept to making an impression to the customers and increase sales for the Company. Moreover, since there are differences in the generation gaps, beliefs, ideals or the behaviors of the employees, the Company sees the importance in reducing these gaps and had organized the in-house training for all employees under the title "Differences between each generations and how to work happily", in order to promote the understanding between each generation and develop the way to work together effectively and with good relationships which will lead to a better performance and a harmonious community resulting in the success of the Organization.



5. Responsibility to Consumers

The Company aims to be the leader in services with the “Sustainable Solutions” of the engineering system by utilizing the knowledge in products selection and innovations which responds to the customers’ demands in order to increase the quality and the safety of the consumers with high quality products, modern technologies, sales and services that are fast, accurate and worth the value. These are the tools which create customer’s satisfactions, differentiate the products and increase the ability to compete, including securing the brand loyalty in the long term, gaining value to the Company. The Company always considers investing for the maximum benefits of the consumers as well.

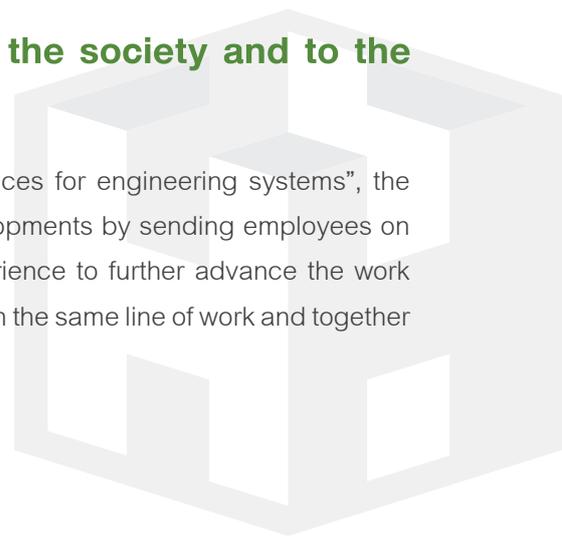
The Company develops the responsibility to the consumers through the practical process and the staff activities in various departments following the ISO 9001:2008 standards in which the Company is certified. The Company sees the importance of products which improves the quality of life and the safety of the consumers, therefore, the products which the Company had chosen to be the representative must be of high quality, certified through international standards, carefully selected the technology and the source of the products or the ingredients following the demand chains which are environmentally friendly, transparent and accountable purchasing process, accurate products information which can be traced back to the certified standards, products stored according to the standards and ready to be transported to the customers, sales and marketing services that does not exploit the consumers, good after sales services, continuously contact the customers even after the products have been delivered, products insurance to guarantee the confidence of the consumers and provide channels for the customers to make a complain through telephone, Company’s employees or through e-mails. The Quality Management Department is responsible for complaints in order to review, investigate and make adjustments including finding the solutions to prevent the issues from further happening.

6. Environmental Management

The Company emphasizes on protecting the environment along the demand chains, from the process of products selection which does not harm the natural resources and is environmental friendly, strictly following the laws and regulations instructed by governing bodies, reducing the wastes and leftovers from the operation, save energy in the work place by regulating the use of air conditions, lights and computers by considering the maximum usage in order to lower the costs and raise the awareness of sustainable energy saving for the good of the community and in response to the energy saving policy of the Government. Moreover, the Company also emphasizes on activities that focuses on developing the society, communities, environment and protecting the natural resources.

7. Discovering and publishing the innovations to the society and to the stakeholders

In order to achieve the title “Leader in the sustainable solutions services for engineering systems”, the Company dedicates itself to study new technologies for continuous developments by sending employees on international seminars/trainings and bring back the knowledge and experience to further advance the work development, including relaying the experience and train other employees in the same line of work and together



strives to success between the employees and the Company. Other than that, the Company also promotes the innovations as part of the Organization's values and to publish these innovations publicly which is considered a part of the obligation to the society by using various communication channels to all stakeholders both directly and indirectly.

One of the discovering and publishing of innovations that the Company had established in 2016 was the "QMakr Factory".

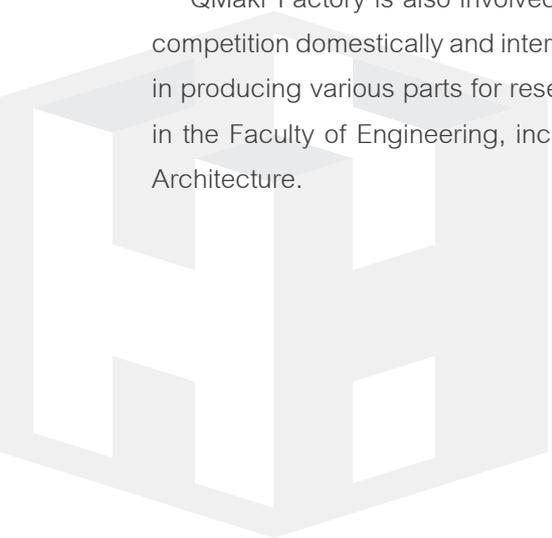
Principles and reasoning

Since the 3D printing technologies are soon becoming the core trend that will change the way products are made in the future, this affects the production industries and the further development of goods and innovations. However, since the Thai Government's policy currently focuses on stability, the Ministry of Commerce had announced that the 3D printing machine be a controlled goods, which is the opposite of the ideas of industrial countries that focuses on innovations. Therefore, the chance of Thai people, especially students and professors, gaining access to the 3D printing technologies is very difficult.

Harn Engineering Solutions Public Company Limited sees the necessity of publishing the 3D printing technologies to the society, so that Thailand can develop the potential for competitions in terms of designing and prototype developing, including the development of said technologies to be used medically which is the strength of Thailand. Therefore, the idea had been developed to establish 3D printing stop services in educational institutions. The Company had been supported by the Faculty of Engineering, Chulalongkorn University who provided 40 sq.m. of space to start up a 3D printing service area with the fused deposition modelling (FDM) technology and the direct light projection (DLP) technology in the lower price than the market under the title "QMakr Factory" since May of 2016.

The Faculty of Engineering is also interested in funding the 3rd and 4th year students so that they may have access to the 3D printing technology by allowing each student to be able to print their products with the FDM technology using ABS materials of no more than 500g per person. QMakr Factory will allow the students to observe the 3D printing production process and explain each steps with reasons in order to build up foundations and understandings. Moreover, the project encourages the professors to assign home works or assignments in various subjects to utilize the 3D printing technology, for example, the Design Methodology in the Mechanical Engineering lets the students produce parts of the robots with the 3D printer and as for Computer Science, the students produced the parts which contains the mainboard within the products.

QMakr Factory is also involved with producing the parts for the Robot Design Contest (RDC) both for the competition domestically and internationally hosted at Chulalongkorn University. QMakr Factory also supported in producing various parts for research projects in the Masters and Doctoral degrees for most of the subjects in the Faculty of Engineering, including the Faculty of Medicine, Faculty of Science and also the Faculty of Architecture.



At present, QMakr Factory has more than 250 regular members using the 3D printing machine.



CSR after process

Social or Community Development

The Company is aware of its role as a good member of the society by supporting all public activities of the community and the society that relates to the development of the environment and encourages the employees to join up and organize social activities such as supporting the schools in remote areas, orphanages, disabled facilities to repay the society when opportunity arises with appropriate funding.



On the March 11, 2016, the Company had supported the Faculty of Engineering, Chiang Mai University and King Mongkut's University of Technology North Bangkok by donating the cooling kit consisting of condensing unit, coil cooler and refrigeration equipment.



16. Internal Control and Risk Management

The Company is well aware of the importance of a sound internal control system as it will facilitate the efficient business operation and promote good corporate governance within the organization. The Company has in place the Audit Committee to conduct a review to ensure the Company has appropriate and efficient internal control, and that the Company's operation is in compliance with the securities and exchange law, the stock exchange regulations, and other applicable laws.



17. Related Party Transactions

1. Necessity and reasonableness of related party transactions

In 2016 the Company entered into a number of significant related party transactions with relevant parties. The transactions were necessary and reasonable as they were in the normal course of business operations or in support of its business. Transaction prices were determined at market or fair prices applicable to transactions with outside parties. However, for operating assets transferred among companies in the group following transfer of employees for management restructuring purpose, most of which were computers in use for a long time and upgraded and maintained to be in usable conditions, such transactions would mainly be priced at book value. The related party transactions undertaken by the Company up to present have been reasonable and at fair prices.

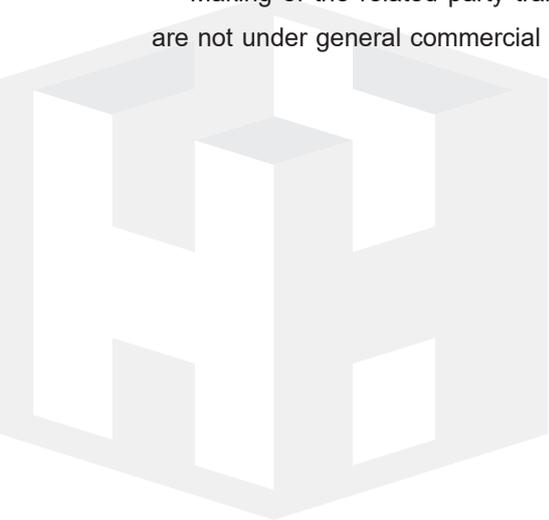
The Audit Committee has reviewed such related party transaction and considered them necessary, reasonable, and beneficial to the Company.

2. Related party transaction approval measure or process

The Board of Directors' meeting no. 3/2014 on May 15, 2014 resolved to establish a policy and process for approving related party transactions between the Company and individuals who have or may have conflict of interest on or beneficial interest in the transaction, such as the major shareholders, directors, executives, persons with controlling power, connected persons, or related persons, etc. The Company will comply with the securities and exchange law, provisions or notifications or stipulations of the Office of the Securities and Exchange Commission, Capital Market Supervisory Board, and the Stock Exchange of Thailand regarding such matters, as well as the regulations regarding disclosure of information on related party transactions according to the Thai Financial Reporting standards set forth by the Federation of Accounting Professions under the Royal Patronage of His Majesty the King. In this regard, persons with conflict of interest or beneficial interest in the transactions shall not be entitled to take part in consideration of or to vote on the transactions.

In case prescribed by law to seek approval of such transactions from the Board of Directors' or the shareholders' meeting, the Company will designate the Audit Committee to attend the meeting to consider and give opinion on the necessity and reasonableness of the transactions.

Making of the related party transactions that are under general commercial conditions and transactions that are not under general commercial conditions shall be subject to the following criteria :



Related party transactions with general commercial conditions

For related party transactions with general commercial conditions done between the Company and persons that have or may have conflict of interest or beneficial interest, at present or in the future, the Company has set a scope for doing such transactions, which has been reviewed and endorsed by the Audit Committee and approved in principle by the Board of Directors. Within such scope, when any of such transactions is to be made, approval may be sought only from the management, subject to the conditions that such transaction shall carry commercial conditions similar to those under which a person of ordinary common sense would do with a general counterparty under the same situation, having the bargaining power without any influence from the status of being directors, executives or persons otherwise on an arm's length basis, and being commercial transaction to be done in general by the Company for business operation, or commercial transaction generally done by a company in the same business to support its own normal business, with fair prices and conditions, and would not result in the transfer of benefits, including the following commercial conditions :

- 1) Prices and conditions offered to the Company or offered by the Company to persons in general
- 2) Prices and conditions offered by related persons to persons in general
- 3) Prices and conditions proven by the Company that companies of similar nature of business would offer to persons in general

However, when there is any transaction made on an arm's length basis as stated above, the management will make decision thereon. After an approval is given, a report on such related party transaction will be prepared and submitted to the Board of Directors for information. In case that the Audit Committee and the Board of Directors find out that such transaction has not been undertaken in compliance with the policy in place, they may jointly discuss to find a solution.

Related party transactions with non-general commercial conditions or other transactions

For related party transaction with non-general commercial conditions or other transactions made between the Company and the persons that have or may have conflict of interest or beneficial interest, at present or in the future, the Company shall present to the Audit Committee to weigh the necessity and reasonableness in making the transaction as well as fairness of the price and conditions by comparing with a third party or the market price, before presenting to the Board of Directors and/or the shareholders' meeting, as the case may be, for approval. In case that the Audit Committee does not have the specialized knowledge on such transaction, the Company will engage an independent expert or the Company's auditor to provide an opinion on such related party transaction to support the consideration and decision of the meeting of the Audit Committee, the Board of Directors, and/or the shareholders' meeting, as the case may be. The Board/Committee members or the shareholders who have conflict of interest or beneficial interest in such transaction shall not be entitled to take part in consideration of or to vote on the transaction.

The Company will disclose the related party transactions made by the Company in the Notes to Financial Statements audited by the Company's auditor in the Annual Report and the Annual Registration Statement (Form 56-1).

3. Policy or tendency of entering into related party transactions in future

The Company expects to continue doing related party transactions from its normal business operation and in support of its normal business operation, i.e. rent of office building space and warehouse and employee's benefit receivable. Moreover, the Company has no loan or facilities guarantee provided by directors and/or loan security with directors' assets. Any related party transactions existing or those to take place in future will be subject to definite pricing policy with fair market prices and conditions and not resulting in transfer of benefits, and in the best interest of the Company. The Audit Committee shall review and give opinions on the related party transactions with general commercial conditions or in support of the normal business on a quarterly basis.

To enter into related party transactions in future, the Company shall comply with the securities and exchange law, provisions or notifications or stipulations of the Capital Market Supervisory Board and the Stock Exchange of Thailand, and abide by the regulations regarding disclosure of related party transaction information of the Company according to the Thai Financial Reporting standards ruled by the Federation of Accounting Professions under the Royal Patronage of His Majesty the King.



18. Management Discussion and Analysis (MD&A)

1. Overview of business operations and significant changes

Harn Engineering Solutions Public Company Limited (“Company’s”) (previously known as Fire Victor Public Company Limited) is an importer and distributor of valves and equipment for fire protection system and valves and equipment for sanitary and air-conditioning system, and also offers firefighting system installation services, which include consulting, designing and installation of firefighting systems, with its skillful engineering team.

On the September 5, 2016 at the fifth Board of Directors Meeting for Harn Engineering Solutions Public Company Limited, the Board of Directors agrees for Harn to purchase and receive the entire business transfer of Chillmatch Co., Ltd including but not limited to the assets, liabilities, other contracts, employees, licenses and other rights which relates to the business operation of Chillmatch, including all rights in the assets and the common stocks of the Q II S Co., Ltd (Q II S) which is the subsidiary whose stocks are held 100% by Chillmatch of the registered capitals under the entire business transfer (hereafter known as “All of Chillmatch’s Business”). The value of purchasing and transferred all of Chillmatch’s business is equal to 614,390,000 Baht and Harn will pay the business transfer with Harn’s common stock increase of 234,500,000 shares at the par value of 0.50 Baht per share, following the capital stock increase ratio to pay the business transfer, the swap ratio of Chillmatch is equal to 0.67 of the total paid in stocks at offering price of 2.62 Baht per share. The registered capital and the issuing of common stocks to repay the business transfers were done on the November 29, 2016. On the same day, the closing value of Harn’s common stock in the Stock Exchange of Thailand was equal to 2.88 Baht per share. This resulted in the value of purchasing the entire business transfer according to the Thai Financial Reporting Standards was equal to 675,360,000 Baht.

Once the purchase and the business transfer are completed, the name had been changed to Harn Engineering Solutions Public Company Limited (Harn), specializes in importing and distributing products for installation engineering system such as extinguisher systems, ventilation systems, sanitary systems and refrigeration system and also providing engineering solutions for digital printing.

A total transaction for the entire business transfer was at 675.36 million Baht. The payment made was divided into the part by the net assets of Chillmatch Co.,Ltd. and Q II S Co.,Ltd. according to the evaluation of the value of the business using the discounted cash flow model with the ratio 58.80% and 41.20% respectively.

On the November 29, 2016 Harn had received the fair value transfer of all assets and liabilities of Chillmatch Co., Ltd. including the investment in Q II S Co., Ltd. which holds 100% of the stocks as quoted by the Purchase Price Allocation (PPA) report from the independent evaluator who was authorized by the Securities and Exchange Commission (SEC). Once the transfer of assets and liabilities of Chillmatch Co., Ltd. had completed, this made

Harn to be the shareholder of Q II S and eligible to the dividend payout of 57.30 million Baht which is used for deducting the value of the business transfer and not recorded as dividend income. Later on the December 1, 2016 Harn had received the fair value transfer of all assets and liabilities of Q II S Co., Ltd. as quoted by the PPA report from the same independent evaluator. This made Harn record of the intangible assets from the purchasing and transferred of the said business which are goodwill of 334.67 million Baht and customers relationship of 104.30 million Baht.

According to the Thai financial reporting standards, goodwill is not amortized but Harn must evaluate the impairment every year. As for customers relationship, Harn has the policy to amortize with the straight-line method for the duration of 7 years and Harn must evaluate the depreciation and revise the amortization period of the customers' relationship regularly every year. As for the year 2016, the goodwill and the customers' relationship had passed the impairment test following the Thai financial reporting standards, by the management and the auditor already.

Data by Report Purchase Price Allocation (PPA) Summarized as follows

Consideration Paid

Number of Share	234,500,000	Shares
Market price per share (closed 29 Nov 2016)	2.88	Baht
	<u>675,360,000</u>	

MB.

Descriptions	Chillmatch	QIIS	Total
pro rated	58.80%	41.20%	100%
Consideration Paid Allocation	397.11	278.25	675.36
<u>Less</u> dividend received (3,951,998*14.50)	-	(57.30)	(57.30)
<u>Less</u> Book Value of net assets	(130.71)	(55.55)	(186.26)
<u>Less</u> Inventory FMV adjustment	(5.60)	(4.82)	(10.42)
<u>Less</u> PPE FMV adjustment	(1.96)	(4.73)	(6.69)
<u>Less</u> Customer Relationship	(75.36)	(28.94)	(104.30)
Deferred Tax Liability	16.58	7.70	24.28
Implied Goodwill per book	200.06	134.61	334.67



2. Management's Discussion and Analysis from the financial statements

2.1 Overview performance and profitability of financial statements

Operating Performance for 2014 - 2016

- revenues from sales and services

Revenue	For the year ended December 31					
	Y 2016		Y 2015		Y 2014	
	MB	%	MB	%	MB	%
Sales and Service Revenue						
1. Fire Protection Products and Projects	546.09	82.40	525.96	90.22	537.64	92.15
2. Sanitary and Air-conditioning Products	48.53	7.32	41.58	7.13	34.40	5.90
3. Refrigeration Products	23.97	3.62	-	-	-	-
4. Digital Printing Products	26.93	4.06	-	-	-	-
Total Sales and Service Revenue	645.52	97.40	567.54	97.36	572.04	98.05
Other Income ¹⁾	17.20	2.60	15.41	2.64	11.39	1.95
Total Revenue	662.72	100.00	582.95	100.00	583.43	100.00

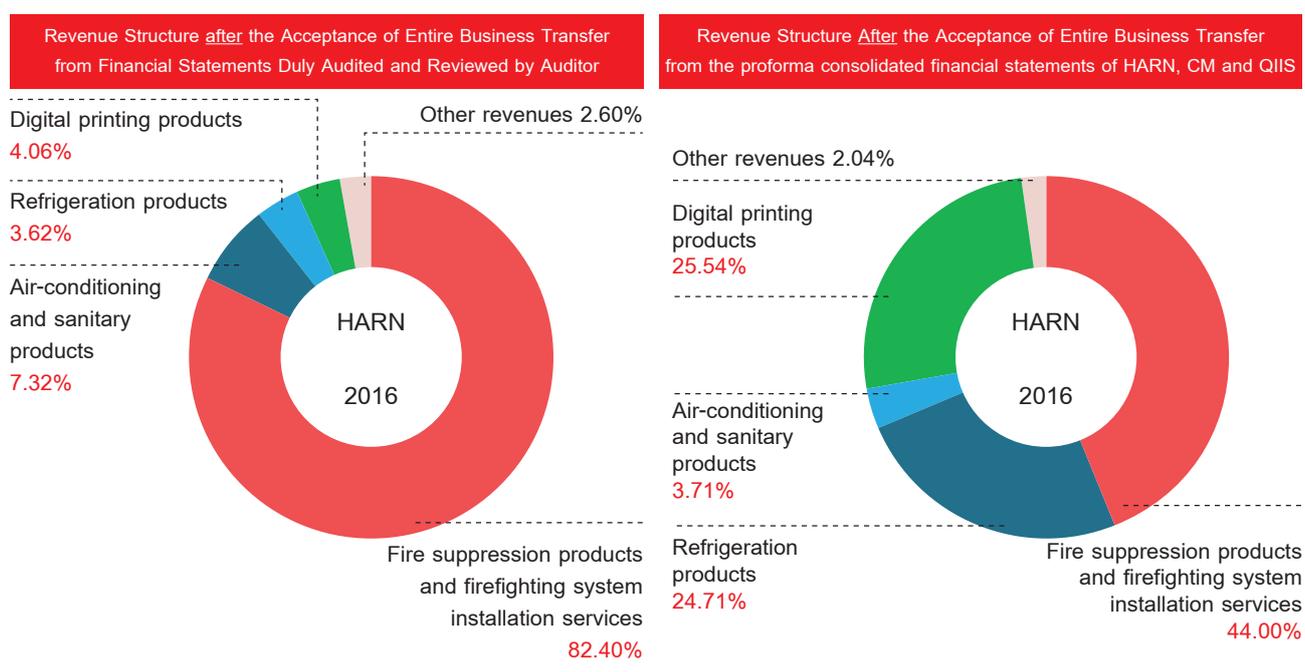
Remark : ¹⁾ Other revenues include gains on foreign exchange, gains on sales of fixed assets, interest income, gains on sales of securities, income from goods and property insurance compensation, and business supporting service revenue etc.

The revenue of sales and services from Harn consists of the revenue from selling the fire extinguisher system and industrial projects at 82.4%, the sanitary system and air condition at 7.32%, the refrigeration system at 3.62%, the digital printing system at 4.06% and other income of 2.60% with the total revenue between 2014 and 2016 of 583.43 million Baht, 582.95 million Baht and 662.72 million Baht respectively. Harn earns the revenue from the entire business transfer contract for the refrigeration system starting from the November 29, 2016 and the digital printing system from the 1st December 2016. However, from the total revenue information on all products in 2016, the ratio of the fire extinguisher system and projects was at 44%, the sanitary system and air condition was at 3.71%, refrigeration system was at 24.71%, the digital printing system was at 25.54% and the other revenue was at 2.04%

In 2016 the sales for the fire extinguisher and projects and sanitary system and air condition had increased 20.13 million Baht of 3.83% and 6.95 million Baht or 16.71% from the year 2015 respectively. This is due to the increase in revenue from selling the fire extinguisher equipment to the construction contractors and the increase of new products relating to the CCTV. However, this was compensated by a reduction in the industrial sites installation, which was in line with the steady growth of the GDP. In 2015, the revenue from sales and services of the fire extinguisher for industrial projects had reduced 4.50 million Baht or 0.79% from the year 2014. The reduction in revenue was due to selling the fire extinguisher equipment to the construction contractors group, in the time where both the domestic economy and the construction industry were heavily stagnant which was in line with the negative GDP at the time. At the same time, this was compensated by Harn's increase in revenue from

the fire extinguisher system design and installation for the customers. This resulted in not such a big difference in revenue from sales and services between the year 2014 and 2015.

Harn believes that the purchasing and transferred of the business will help reducing the risks from having to rely on any one industry specifically. This is seen from the income ratio from all of the business groups in 2016, as displayed above. By adding the business line and more products, expanding the customers base in the contractors group and system consulting for relating industries, increasing the market expansion opportunity in foreign countries and also reducing the costs from using human resource and facilities to mutually benefit to the maximum potential will contribute to Harn generating more revenue, net profits and strengthen its financial status in the future.



- Cost of Sales and Service

Costs	For the year ended December 31					
	Y 2016		Y 2015		Y 2014	
	MB	%	MB	%	MB	%
Cost of Sales and Service						
1. Fire Protection Products and Projects	419.86	76.88	396.68	75.42	397.42	73.92
2. Sanitary and Air-conditioning Products	34.18	70.43	29.11	70.01	24.63	71.60
3. Refrigeration Products	16.50	68.84	-	-	-	-
4. Digital Printing Products	17.07	63.39	-	-	-	-
Total Cost of Sales and Service	487.61	75.54	425.79	75.02	422.05	73.78
Gross Profit	157.91	24.46	141.75	24.98	149.99	26.22

The significant costs of sales and services are the costs of products and the labor costs for installation. Between the year 2014 - 2016, Harn had the total costs of sales and services of 422.05 million Baht, 425.79 million Baht and 487.61 million Baht respectively. In 2016, the gross profit margin was at 24.46% when compared to 24.98% in 2015 which had been decreasing insignificantly. Harn aims to present high quality products and services to differentiate from other brands which will earn Harn higher gross profit margin in order to maintain the ability to make sustainable profit further for Harn. In 2016, the costs of sales and services had increased 61.82 million Baht from 2015 or 14.52% and the costs of sales in 2015 had increased 3.74 million Baht or 0.89% from 2014 which was in accordance with the growth of revenue from sales and services. The reason of the change in the costs of products and services were due to the increased in the costs of products while at the same time not being able to adjust the selling price of all products immediately and also from the effect of importing products from foreign countries while the Thai Baht was still weak. Harn's gross profit margin from 2014 to 2016 was 26.22%, 24.98% and 24.46% respectively.

Selling & Administrative Expenses

Selling & Administrative Expenses	For the year ended December 31					
	Y 2016		Y 2015		Y 2014	
	MB	%	MB	%	MB	%
Selling Expenses	36.62	5.53	34.39	5.90	28.66	4.91
Administrative Expenses	87.75	13.24	66.15	11.35	55.12	9.45
Total Selling & Administrative Expenses	124.37	18.77	100.54	17.25	83.78	14.36
Total Revenue	662.72	100.00	582.95	100.00	583.43	100.00

- **Selling Expenses**

Harn's selling expense during the year 2014 - 2016 was at 28.66 million Baht, 34.39 million Baht and 36.62 million Baht respectively. In 2016, the ratio of the selling expense was equal to 5.53% of the total revenue which is a decrease from 2015 where the ratio was at 5.90%. It is considered that Harn had controlled the selling expense at a decent level. In 2015, the selling expense of Harn had increased 5.73 million Baht from the year 2014 or 19.99% because of the main reason from employees related expenses. This is due to Harn expanding the projects related sales team to support its business expansion.

- **Administrative Expenses**

Harn's administrative expense during the year 2014 - 2016 was at 55.12 million Baht, 66.15 million Baht and 87.75 million Baht respectively. In 2016 the ratio of Harn's administrative expense had increased 13.24% to the total revenue which occurred from the expenses relating to the purchasing and transferred of entire business, for example, financial consultant costs, legal consultant costs, audit fees and independent financial consultant costs. Additionally, there were other non-cash costs relating to the fair value evaluation of the inventories, fixed

assets and customers relations that were gained via the purchasing and transferred of entire business following the Thai financial reporting standards, which was considered accounting costs that do not need to be paid out in cash. In 2015, Harn's administrative expense had increased 11.03 million Baht from 2014 or 20.01%. The main reason for this was partly due to the expense relating to the employees since Harn had adjusted the employees' salary structures and increased more staffs to support its business expansion and the professional consultant fees relating to the human resource that was increased from the year 2014. Moreover, during 2015, Harn had formed the employee joint investment program (EJIP) at the rate of 100% of the amount that the employees and the executives pay into the program. The campaign will last from May 1, 2015 until the April 30, 2020 for a total of 5 years with the details as shown in the appendix of the financial statement under 'Employee Joint Investment Program' in order to motivate the employees and support Harn's business operation which had been growing after the purchasing and transferred of the business.

- **Net profit**

Harn earns net profit between the year 2014 - 2016 of 60.61 million Baht, 43.77 million Baht and 45.48 million Baht respectively. Harn's gross profit margin was at 10.39%, 7.51% and 6.86% respectively from the revenue of sales and services. The main reason was from the increase in the sales and administrative expenses which became higher from preparing the employees for the business expansion while the revenue of Harn increased at the lesser rate than the expenses and from the increase in the costs of goods and services which Harn had not yet adjusted the selling price according to the costs immediately making Harn susceptible to the said effect.

2.2 Harn's assets management capability

Financial status analysis for December 31, 2014, 2015, 2016

Harn had the total assets on the 31st of December between the year 2014 - 2016 of 572.37 million Baht, 569.01 million Baht and 1,379.85 million Baht respectively. The significant components of the assets were temporary investment, trade account and other receivables, inventories, unbilled receivables, equipment and intangible assets.

On the December 31, 2016 Harn had the total assets of 1,379.85 million Baht, a leap growth due to the purchasing and entire business transferred of Chillmatch Co., Ltd. and its subsidiaries with the component of the assets consisting of cash and temporary investment amounting to 21.82%, trade account and other receivables and unbilled receivables of 21.82%, inventories of 17.22% and intangible assets received from the purchasing and transferred of business which had passed the impairment test following the Thai financial reporting standard such as customers relationships of 7.46% and goodwill of 24.25% of the total assets. Although the purchasing and transferred of this business did not count towards the revenue from the business run by Chillmatch Co., Ltd. and its subsidiaries totally, Harn received the assets derived from the past operations for example, cash (including deposits as bank guarantees) amounting to 44.33 million Baht, trade account and other receivables of 165.93 million Baht and the inventories of 117.21 million Baht. This resulted in the growth of total assets of 810.85 million Baht or 142.50% increase when compared to the year 2015.

On the December 31, 2015 Harn had the total assets of 569.01 million Baht with the component of the assets consisting of cash and temporary investment of 50.06%, trade account and other receivables and unbilled receivables of 23.66%, inventories of 20.09%, equipment of 2.85% and intangible assets of 1.18%. The total assets in 2015 had declined from 2014 approximately 3.36 million Baht or 0.59%. The main reason was from the reduction in the temporary investment of 13.48 million Baht or 4.99% from the year 2014. Part of the reason was due to the disposal of investment funds in the listed securities and the change in the fair value towards the end of 2015 when compared to the end of 2014. The inventories at the end of 2015 had increased 12.79 million Baht or 12.61% from 2014 since Harn had ordered reserved products in order to support the distribution strategies.

Accounts Receivable

Accounts Receivable	For the year ended December 31					
	Y 2016		Y 2015		Y 2014	
	MB	Turn Over (days)	MB	Turn Over (days)	MB	Turn Over (days)
Accounts Receivable by Segments						
1. Fire Protection & Sanitary Products and Projects	124.54	73.03	113.41	77.49	127.54	82.21
2. Refrigeration Products*	77.51	74.95	-	n/a	-	n/a
3. Digital Printing Products*	57.28	52.52	-	n/a	-	n/a
Total Accounts Receivable by Segments	259.33	68.17	113.41	77.49	127.54	82.21

* AR turnover calculated as if sales and service revenues were consolidated the full year of 2016

Accounts Receivable	For the year ended December 31					
	Y 2016		Y 2015		Y 2014	
	MB	%	MB	%	MB	%
Accounts Receivable and Others						
Accounts Receivable	259.33	94.66	113.41	93.30	127.54	96.57
Other Receivable	20.03	7.31	11.08	9.11	6.50	4.92
less Allowance for Doubtful Accounts	(5.41)	(1.97)	(2.93)	(2.41)	(1.97)	(1.49)
Accounts Receivable - Net	273.95	100.00	121.56	100.00	132.07	100.00

On the December 31, 2016 Harn's account receivables can be divided into 3 products groups which are 1) Fire extinguisher, sanitary and air conditioning systems 2) Refrigeration system 3) Digital printing system with the account receivable turnover of 73.03 days, 74.95 days and 52.52 day respectively and when average out all ratio, the turnover was 68.17 days, a decrease from 77.49 days in 2015 and 82.21 days in 2014. This shows that the efficiency for bill collection was at a satisfactory level. For the account receivable turnover for the 2 products which were recently transferred, the amount was calculated from the sales of each product as if the purchasing and transferred of business took place in the beginning of 2016.

Moreover, Harn has the allowance for doubtful accounts for estimated loss from not being able to collect payment from the debtors, which will be considered in general from past experience and the analysis of the debtors' age including the financial status of the debtors who may have credit risks and compile the information case by case and will write off from the account when the debts cannot be tracked, the lawsuit has ended or cannot enforce the court case following the judge ruling. However, Harn has always paid attention to the process of approving credits strictly which reduced the allowance for doubtful accounts during the year 2014 - 2016 to 1.49%, 2.41% and 1.97% respectively of net trade account and other receivables.

Inventory

Inventory	For the year ended December 31					
	Y 2016		Y 2015		Y 2014	
	MB	Turn Over (days)	MB	Turn Over (days)	MB	Turn Over (days)
Inventory by Segments						
1. Fire Protection & Sanitary Products and Projects	114.18	85.31	98.06	75.73	78.73	71.29
2. Refrigeration Products*	53.39	86.35	-	n/a	-	n/a
3. Digital Printing Products*	44.02	84.58	-	n/a	-	n/a
TotallInventory by Segments	211.59	85.39	98.06	75.73	78.73	71.29

*INV turnover calculated as if the cost of sales and services were consolidated the full year of 2016

Inventory	For the year ended December 31					
	Y 2016		Y 2015		Y 2014	
	MB	%	MB	%	MB	%
Inventory						
Finished Goods	211.59	89.06	98.06	85.78	78.73	77.55
Goods in Transit	40.96	17.24	22.86	20.00	28.72	28.29
<u>Less</u> Allowance for Stock Obsolescence	(14.98)	(6.31)	(6.61)	(5.78)	(5.93)	(5.84)
Inventory - Net	237.57	100.00	114.31	100.00	101.52	100.00

On the December 31, 2016 Harn has inventories divided into 3 products groups which are 1) Fire extinguisher, sanitary and air conditioning systems 2) Refrigeration system 3) Digital printing system with the inventory turnover of 85.31 days, 86.35 days and 84.58 day respectively and when average out all ratio, the turnover was 85.39 days, an increase from 75.73 days in 2015 and 71.29 days in 2014. The account receivable turnover had slowed down due to Harn having more product groups making it necessary to reserve the products sufficiently for the customers' demands. However, Harn had considered the opportunity costs, the storage costs and the risks of obsolescence in all aspects together as well. The inventory turnover for both groups of the products that have recently been acquired from the purchasing and transferred of the business had calculated the costs of sales for each product as if the circumstances took place in the beginning of 2016.

Harn has the allowance for depreciation by assigning 3 policies to be used when considering the allowance for obsolete items which are 1) goods of 2 or more years old, 2) annual turnover rate less than 20% of the item's inventory for 2 consecutive years, 3) the calculation following no. 2) and continuing after the end of accounting day until the day of the auditing or reviewing the financial statement (20 days after the end of accounting day), Harn believes that the condition for the allowance for stock obsolescence will be enough conservatism to maintain the inventory value not more than the net realizable value according to the accounting standards. However the allowance for depreciation is considered low for the year 2014 to 2016 at 5.84%, 5.78% and 6.31% of the net inventory, respectively.

Accounts Payable and Others

Accounts Payable and Others	For the year ended December 31					
	Y 2016		Y 2015		Y 2014	
	MB	%	MB	%	MB	%
Accounts Payable and Others						
Accounts Payable	104.40	51.88	69.67	58.87	67.61	57.84
Other Payable						
• Accrual Expenses	43.80	n/a	15.75	n/a	18.98	n/a
• Others	23.25	n/a	9.89	n/a	6.12	n/a
Total Accounts Payable and Others	171.45	51.88	95.31	58.87	92.71	57.84

Harn has the policy to maintain the business relationship with stakeholders such as distributor both domestically and internationally, contractors for equipment installations and other trade partners. The basis of maintaining a good relationship, financial credit is considered to be very important. Other than keeping relationships, Harn can also negotiate the prices of products and services which are the most important costs and will result in sustainable profitability of Harn in the future.

Types of credit limits and interest rates

Types of credit	Limits (Million Baht)		Interest rates (% per year)	
	2016	2015	2016	2015
Overdraft	17.00	9.00	MOR	MOR
Letter of Credit / Trust sheet	231.00	57.00	Fixed deposit MLR-1,MMR	Fixed deposit MLR-1,MMR
Letter of Guarantee	30.00	14.00	2%	2%
Forward Contract	363.39	60.39		
Promissory Note	15.00	5.00	MLR	MLR
Up Country Cheque	3.00	-		
Total	659.39	145.39		
Forward Contract (Million USD)	3.00	0.30		

Harn's liquidity level is high, as can be seen from the liquidity ratio of 4.36 times and 5.27 time in 2016 and 2015 respectively and cash cycle equals to 101.68 days and 94.35 days in 2016 and 2015 respectively. In addition, Harn still has enough working capital and credit facilities to import products from foreign countries in the form of overdraft or promissory notes, business guarantees and the risks management relating to foreign exchange currency including the opportunity in acquiring the business relating to other engineering systems in the future.

2.3 Liquidity and Working Capital

1) Cash Flows from Harn's Financial Statement

MB

Description	As at December 31		
	Y 2016	Y 2015	Y 2014
Cash Flow from Operating Activities	17.49	50.31	62.79
Cash Flow from (Used in) Investing Activities	33.58	4.71	(253.95)
Cash Flow from (Used in) Financing Activities	(43.39)	(52.5)	214.29
Net Cash and Cash Equivalents increase	7.68	2.52	23.13
Cash and Cash Equivalents - B/F	28.18	25.66	2.53
Cash and Cash Equivalents - C/F	35.86	28.18	25.66

Analyzing the cash flows statement for the December 31, 2016

Harn had net cash flows from the business operation in 2016 of 17.49 million Baht, a 32.82 million Baht decrease when compared to 2015 with the profit from operations before the change in assets and operating liabilities of 60.02 million Baht which was close to the previous year. However, the account receivables for investment in the assets towards the end of the year with the amount of 2.64 million Baht and the account receivables for the retention of the fire extinguisher installation contracts had increased by 5.90 million Baht. Additionally, the advance payment for good and the trade payables have increased 18.46 million Baht in which Harn had received discount prices on some products in the case that the sellers offering cash discounts. This resulted in an increase in gross profit margin, causing the net cash flows from operation to decline when compared to the previous year.

The cash flows from investing activities in 2016 of 33.58 million Baht was a 28.87 million Baht increase when compared to 2015. Most of which was from the cash that Harn had been transferred to as a result of the purchasing and entire business transferred of Chillmatch Co., Ltd. and its subsidiaries amounting to 40.17 million Baht with Harn issuing capital increase stocks instead of cash payment and had paid for the equipment and improving the EPR programs at 7.99 million Baht.

The cash flows that had been used for the financing activities came from the dividends during 2016 of 35 million Baht and had paid back the loans from financial institutions which Harn had carried the debts burden from the purchasing and entire business transferred contract. Since Harn has high liquidity, there are no interest burden that must be paid to banks or any financial institutions. As for the dividends received from Q II S Co., Ltd. of 57.30 million Baht, this was not displayed as cash inflows in the investment activities or other revenue in the profit and loss statement but as the reduction in the price of common stocks issued for the purpose of purchasing and entire business transferred following the Thai financial reporting standard.

Analyzing the cash flows statement for the December 31, 2015

Harn had net cash flows from operating activities in 2015 of 50.31 million Baht, a 12.48 million Baht decrease when compared to 2014 with the operating profit before the change in assets and operating liabilities of 62.75 million Baht and the change in the working capital was due to the decrease in trade account and other receivables of 9.55 million Baht and the 13.50 million Baht of inventory increase.

Net cash flows from investing activities was equal to 4.71 million Baht, temporary investment disposal of 12.76 million Baht, cash for equipment purchasing of 6.89 million Baht and investing in the EPR program of 2.08 million Baht.

The cash flows used in financing activities was the dividends of 52.50 million Baht.

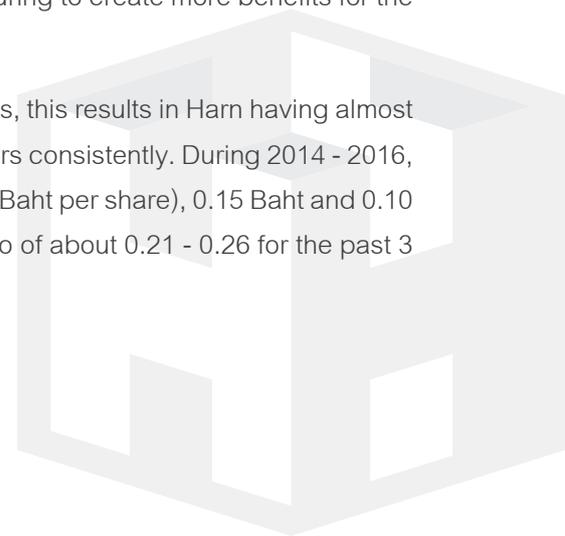
2) Capital Structure from the Financial Statement on December 31, 2016, 2015, 2014

Harn had the total liabilities on the December 31, between 2014 - 2016 of 111.84 million Baht, 117.21 million Baht and 242.21 million Baht respectively. The significant components of the liabilities were account payables and other payables and other current liabilities with the details as follows;

On December 31, 2016 Harn's total debts was equal to 242.21 million Baht, a 125.00 million Baht increase from 2015 or 106.65% due to the purchasing and entire transferred of business from Chillmatch Co., Ltd. and its subsidiaries. This resulted in Harn receiving debts burden from bank loans (paid back immediately after the purchasing and transferred of business was completed), account payables, employees' benefits and other accrual expenses.

On December 31, 2015 Harn's total liabilities was equal to 117.21 million Baht, a 5.37 million Baht increase from 2014 or 4.80% due to the increase of other current liabilities from the increase in advance received and deposits that Harn had received from the customers, the security deposit received from logistic vendors, and also to the increase of employees' benefits which derived from the restructuring to create more benefits for the employees on payroll.

With Harn's capital structure that does not need to rely on any bank loans, this results in Harn having almost no interest, making the Company able to payout its dividends to shareholders consistently. During 2014 - 2016, the dividends were paid at 15.23 Baht (At the time, the PAR value was at 10 Baht per share), 0.15 Baht and 0.10 Baht per share respectively and the Company has a low debt-to-equity ratio of about 0.21 - 0.26 for the past 3 years.



19. Report of the Board of Directors' Responsibility for Financial Reports

Dear Shareholders,

The Board of Directors is responsible for the financial statements of Harn Engineering Solutions Public Company Limited (Company's) (previously known as Fire Victor Public Company Limited) prepared in accordance with The Thai Financial Reporting Standards under Accounting Act, B.E. 2543 (2000) and accounting interpretations and practices enforced by the Federation of Accounting Professions under the Royal Patronage of His Majesty the King, and pursuant to the regulations of the Securities and Exchange Commission regarding preparation and presentation of financial report under the Securities and Exchange Act, taking into consideration appropriate and consistent accounting policies and based on careful judgments and reasonable reporting in the preparation of the financial report, as well as adequate and transparent disclosure of important information in the Notes to Financial Statements according to the Report of Independent Auditor, for the benefits of the shareholders and investors in general.

The Board of Directors has established and maintained good corporate governance and appropriate risk management and internal control systems to assure that the accounting information is correctly, completely and timely recorded, and adequate to sustain the Company's assets and prevent any fraud or any material act of irregularities.

The Board of Directors has appointed an Audit Committee comprising Independent Directors to oversee and review the reliability and accuracy of the financial reports, the assessment of internal control, risk management and internal audit to ensure efficiency. The Audit Committee's opinions on these issues are included in the Report of the Audit Committee presented in this Annual Report.

The Board of Directors is of the opinion that the internal control and internal audit of the Company can give assurance that the financial statements of Harn Engineering Solutions Public Company Limited for the year ended December 31, 2016 exhibit its financial position, operating results and cash flows accurately and appropriately in material aspects in accordance with the Thai Financial Reporting Standards, and the audit of which has been performed by the Independent Auditor according to the generally accepted auditing standards with opinion given in the Report of Independent Auditor presented in this Annual Report.



Mr. Thakol Nunthirapakorn
Chairman of the Board



Mr. Wirat Sukchai
Chief Executive Officer

20. Report of the Audit Committee

Dear Shareholders,

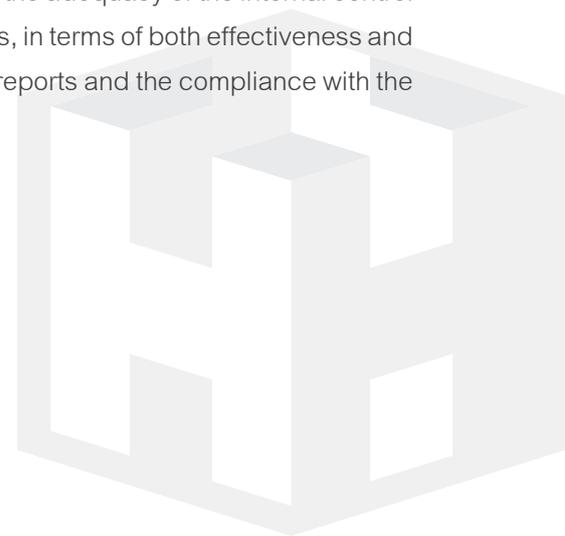
The Audit Committee, appointed by the Board of Directors, is composed of three Independent Directors as follows :

- | | |
|--------------------------------|-----------------------------|
| 1. Mr. Thakol Nunthirapakorn | Chairman of Audit Committee |
| 2. Mr. Sothitorn Mallikamas | Audit Committee |
| 3. Miss Voranuch Supaibulpipat | Audit Committee |

The Audit Committee is in charge of review of the Company's financial reports to ensure that they are accurate and have adequate disclosure of information, and that the Company has appropriate and effective internal control and internal audit, and its business operations are compliant with applicable laws and regulations. The Audit Committee is also responsible for selecting and proposing for appointment of the Company's external auditor, considering the Company's disclosure of information in an accurate and complete manner, and performing duty independently with Mr. Wisit Wachiralappaitoon as the Secretary of the Committee, within the scope of duties and responsibilities prescribed in the Audit Committee Charter.

In 2016, the Audit Committee held seven meetings. The three Committee members attended all the meetings held. The Audit Committee discussed and shared opinions with the management, internal auditors, and external auditor on relevant issues. Salient points can be concluded here:

- 1. Review of quarterly and yearly financial statements for 2016 :** The Audit Committee reviewed the quarterly and annual financial statements, which were reviewed or audited by Deloitte Touche Tohmatsu Jaiyos Audit Co.,Ltd. with enquiries made with and explanation sought from the management and the auditor as regards the accuracy, completeness and compliance with the financial reporting standards as well as the criteria of the Securities and Exchange Commission and the Stock Exchange of Thailand as appropriate in the material aspects, and as regards disclosure of information in an adequate, complete and reliable manner, for further submission to the Board of Directors for approval.
- 2. Review and assessment of the adequacy of the internal control system :** The Audit Committee reviewed the internal control system and monitored the audit result, with the audit report submitted on a quarterly basis by the internal auditors from Ultima Advisory Co., Ltd. to assess the adequacy of the internal control system which would support and drive the Company toward its targets, in terms of both effectiveness and efficiency of the operations, and ensure the reliability of the financial reports and the compliance with the relevant regulations and policies of the Company.



3. Review and consideration of related party transactions or transactions that may have conflict of interests, including disclosure of information thereof in conformity with the relevant laws and regulations of the Stock Exchange of Thailand and the Office of the Securities and Exchange Commission : The Audit Committee is given the opinion that such transactions were carried out in a reasonable manner for the maximum benefit of the Company, and that disclosure of information thereof was accurate, complete and adequate in line with the good corporate governance practice.
4. Review of work performance pursuant to the securities and exchange law, the regulations of the Office of the Securities and Exchange Commission and the criteria of the Stock Exchange of Thailand, as well as other laws relevant to the Company's business operations, including compliance with the Company's regulations and obligations with third parties : In this regard, the Audit Committee did not find any significant issue of non-compliance with the law and regulations of the Stock Exchange of Thailand and relevant regulatory bodies.
5. Selection the appointment of the Company's auditor and determination of audit fee for 2016 : The Audit Committee reviewed the performance and independence of the candidate, and the appropriateness of the remuneration for the auditor, and considered it proper for the Company to appoint Mr.Chavala Tienpasertkij, License No.4301 and/or Dr.Suphamit Techamontrikul, License No.3356 and/or Mr.Choopong Surachutikarn, License No.4325 and/or Ms.Nisakorn Songmanee, License No.5035 from Deloitte Touche Tohmatsu Jaiyos Audit Co., Ltd. as the Company's auditor for 2016. The proposed appointment was proposed for the endorsement by the Board of Directors for proposal to the 2016 Annual General Meeting of Shareholders for consideration and approval.

The Audit Committee is given the opinion that, in 2016, the Company maintained good corporate governance and appropriate internal control, prepared the financial statements that exhibited the factual information in material aspects adequately and accurately in compliance with the financial reporting standards, disclosed information in conformity with the relevant laws and regulations, had risk management at an acceptable level, performed in adherence to the relevant laws, rules and regulations as well as obligations, and disclosed related party transactions in an accurate and complete manner. The Audit Committee and the management attached high importance on business operations in line with the good corporate governance. No material irregularities were found that might affect the Company's financial status. The Company consistently developed and rationalized its work processes to boost quality and suit the business environment, as well as to be compliant with the rules and regulations of the Office of the Securities and Exchange Commission and the Stock Exchange of Thailand, and other laws relevant to the business operations of the Company.



.....
(Mr. Thakol Nunthirapakorn)

Chairman of Audit Committee



21. Auditor's Report

To the shareholders and board of directors

Harn Engineering Solutions Public Company Limited

(Formerly known as FIRE VICTOR Public Company Limited)

Opinion

We have audited the financial statements of Harn Engineering Solutions Public Company Limited (the Company), which comprise the statements of financial position as at December 31, 2016, and the related statements of profit or loss and other comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Harn Engineering Solutions Public Company Limited as at December 31, 2016, and financial performance and cash flows

Basis for Opinion

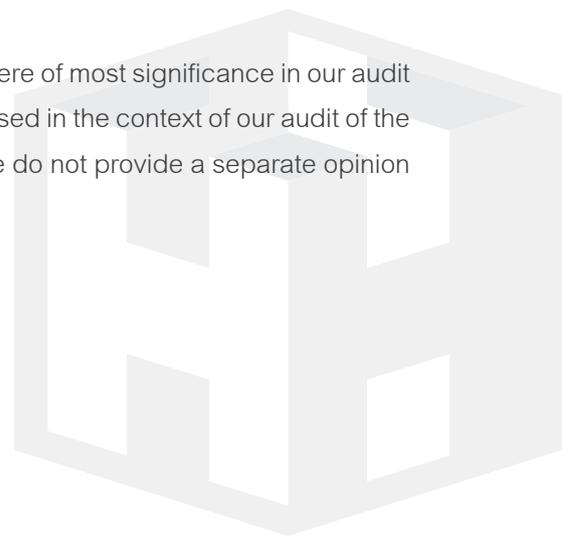
We conducted our audit in accordance with Thai Standards on Auditing (TSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Federation of Accounting Professions under the Royal Patronage of His Majesty the King's Code of Ethics for Professional Accountants together with the ethical requirements that are relevant to the audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the

Emphasis of Matter

We draw attention to Note 20 to the financial statements that on November 2, 2016, the Company has acquired and combined the entire business of Chillmatch Co., Ltd. and Q II S Co., Ltd., under the entire business transfer basis by issuing new ordinary shares in exchange of the entire business transfer of these entities (see Note 4). Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Key Audit Matters

Recognition of revenue from sales

The Company has revenue from sales derived from four main business segments which are fire protection and projects, sanitary and air-conditioning systems, cold storage devices, and digital printing system, which have different terms and pricing conditions. The key audit matter is whether the revenue from sales has been recognized accurately and completely in accordance with TFRS.

Accounting policy of revenue recognition and detail of revenue from sales were disclosed in the Note 3.15 and Note 25 to the financial statements, respectively.

Business acquisitions

During the year 2016, the Company has entered into the business acquisition agreements to combine the entire business of Chillmatch Co., Ltd. and Q II S Co., Ltd. under entire business transfer basis. Therefore, the key audit matter is whether the occurrence, rights and obligations, completeness, accuracy and valuation and allocation relating to the acquisition of

assets and liabilities at the acquisition date has been recognized in accordance with TFRSs.

Accounting policies of the business combinations and the detail of acquisitions of business were disclosed in the Note 3.1, Note 4 and Note 20 to the financial statements, respectively.

Key Audit Procedures

Key audit procedures included :

- Understanding the revenue recognition process relating to revenue from sales and related internal control procedures.
- Reviewing the design and implementation of the internal control procedures for such matter.
- Performing the operating effectiveness testing over the internal control procedures around revenue recognition process.
- Performing substantive testing as follows :
 - Examining terms and conditions of the sales agreements and examining the related supporting documents of those revenues.
 - Examining the supporting documents for the revenue from sales transactions occurring during the year and near the end of accounting period.
 - Examining credit notes issued after the end of accounting period.
 - Performing substantive analytical procedures and test of detail relating to the revenue from sales.

Key audit procedures included :

- Understanding the business acquisition process and related internal control procedures.
- Reviewing the design and implementation of the internal control procedures for such matter.
- Performing substantive testing as follows:
 - Examining the Business Transfer Agreements between the Company and the transferee companies in the Group, payment documents, share transferred documents and related supporting documents.
 - Examining details of assets and liabilities at the acquisition date which consists of the examination of occurrence, rights and obligations, completeness, accuracy and valuation and allocation of assets and liabilities.
 - Examining the valuation and allocation of fair value of identifiable assets and liabilities acquired at the acquisition date which have been performed by the independent appraiser. The examination has been performed by valuation specialist to review the valuation method and key assumptions used by management in determining the fair value of the identifiable assets and liabilities, including the purchase price allocation of assets and liabilities at the acquisition date.

Other Matter

The financial statements of Harn Engineering Solutions Public Company Limited for the year ended December 31, 2015, presented herein as comparative information, was audited by another auditor whose report thereon dated February 26, 2016, expressed an unmodified opinion.

Other Information

Management is responsible for the other information. The other information comprises information in the annual report, we have received such other information in the annual report that has been prepared for issuance before the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We have read other information in the annual report that has been prepared for issuance, we did not find any material inconsistency therein which we have to report.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with TFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with TSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with TSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also :

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Chavala Tienpasertkij

Certified Public Accountant (Thailand) Registration No. 4301
DELOITTE TOUCHE TOHMATSU JAIYOS AUDIT CO., LTD.

BANGKOK

February 24, 2017



Financial Statements

AT DECEMBER 31, 2016

22. Financial Statements

HARN ENGINEERING SOLUTIONS PUBLIC COMPANY LIMITED
(FORMERLY KNOWN AS FIRE VICTOR PUBLIC COMPANY LIMITED)
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2016

Unit : Thousand Baht

	Notes	As at December 31, 2016	As at December 31, 2015 (Restated)	As at January 1, 2015
ASSETS				
Current Assets				
Cash and cash equivalents	6	35,866	28,184	25,660
Temporary investments	7	265,179	256,675	270,160
Trade and other receivables	8	273,948	121,564	132,073
Current portion of finance lease receivables	9	10,017	-	-
Unbilled receivables		7,140	13,042	17,635
Inventories	10	237,566	114,315	101,517
Other current assets		18,119	1,832	760
Total Current Assets		847,835	535,612	547,805
Non - Current Assets				
General investment		242	-	-
Deposit at financial institution used as collateral	11,29.1	-	1,280	-
Long-term finance lease receivables	9	10,044	-	-
Equipment	12	41,565	16,222	12,813
Goodwill	13	334,672	-	-
Customer relationship	14	102,983	-	-
Intangible asset	15	26,749	6,715	5,478
Deferred tax assets	16	-	3,450	1,479
Other non-current assets		15,761	5,727	4,791
Total Non-Current Assets		532,016	33,394	24,561
Total Assets		1,379,851	569,006	572,366

Notes to the financial statements form an integral part of these statements

HARN ENGINEERING SOLUTIONS PUBLIC COMPANY LIMITED
(FORMERLY KNOWN AS FIRE VICTOR PUBLIC COMPANY LIMITED)
STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT DECEMBER 31, 2016

Unit : Thousand Baht

	Notes	As at December 31, 2016	As at December 31, 2015 (Restated)	As at January 1, 2015
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current Liabilities				
Trade and other payables	17	171,451	95,302	92,711
Income tax payable		12,873	2,778	5,841
Short-term provisions		168	88	388
Other current liabilities		9,756	3,528	1,789
Total Current Liabilities		194,248	101,696	100,729
Non - Current Liabilities				
Deferred tax liabilities	16	18,957	-	-
Employee benefit obligations	18	13,910	9,841	6,394
Other non-current liabilities		15,097	5,672	4,715
Total Non-Current Liabilities		47,964	15,513	11,109
Total Liabilities		242,212	117,209	111,838

Notes to the financial statements form an integral part of these statements



HARN ENGINEERING SOLUTIONS PUBLIC COMPANY LIMITED
(FORMERLY KNOWN AS FIRE VICTOR PUBLIC COMPANY LIMITED)
STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT DECEMBER 31, 2016

Unit : Thousand Baht

	Notes	As at December 31, 2016	As at December 31, 2015 (Restated)	As at January 1, 2015
Shareholders' Equity (Continued)				
Share capital				
Authorized share capital	20			
584,500,000 ordinary shares of Baht 0.50 each		<u>292,250</u>		
350,000,000 ordinary shares of Baht 0.50 each			<u>175,000</u>	<u>175,000</u>
Issued and paid-up share capital				
584,500,000 ordinary shares of Baht 0.50 each, fully paid-up		292,250	-	-
350,000,000 ordinary shares of Baht 0.50 each, fully paid-up		-	175,000	175,000
Premium on ordinary shares	21	776,416	218,306	218,306
Retained earnings				
Appropriated				
Legal reserve	22	13,867	11,841	9,531
Unappropriated		55,106	46,650	57,691
Total Shareholders' Equity		<u>1,137,639</u>	<u>451,797</u>	<u>460,528</u>
Total Liabilities and Shareholders' Equity		<u>1,379,851</u>	<u>569,006</u>	<u>572,366</u>

Notes to the financial statements form an integral part of these statements

HARN ENGINEERING SOLUTIONS PUBLIC COMPANY LIMITED
(FORMERLY KNOWN AS FIRE VICTOR PUBLIC COMPANY LIMITED)
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2016

Unit : Thousand Baht

	Notes	2016	2015 (Restated)
Revenue from sales		571,469	473,406
Revenue from rendering of services		74,048	94,125
Cost of sales		(422,443)	(347,482)
Cost of rendering of services		(65,169)	(78,308)
Gross profit		157,905	141,741
Other income		17,206	15,416
Selling expenses		(36,618)	(34,391)
Administrative expenses		(87,749)	(66,154)
Finance costs		(21)	-
Profit before income tax expense		50,723	56,612
Income tax expense	27	(10,192)	(10,410)
Profit for the year		40,531	46,202
Other comprehensive income (loss)			
Items that will never be reclassified to profit or loss			
Defined benefit plan actuarial loss - net of tax		4,951	(2,433)
Total comprehensive income for the year		45,482	43,769
Earnings per share			
	28		
Basic earnings per share (Baht)		0.11	0.13
Weighted average number of ordinary shares (shares)		371,201,370	350,000,000

Notes to the financial statements form an integral part of these statements



HARN ENGINEERING SOLUTIONS PUBLIC COMPANY LIMITED
 (FORMERLY KNOWN AS FIRE VICTOR PUBLIC COMPANY LIMITED)
 STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
 FOR THE YEAR ENDED DECEMBER 31, 2016

Unit : Thousand Baht

	Notes	Issued and paid-up share capital	Premium on ordinary shares	Retained earnings		Total
				Appropriated	Unappropriated	
Balance as at January 1, 2015		175,000	218,306	9,531	57,691	460,528
Changes in shareholders' equity :						
Dividend paid	23	-	-	-	(52,500)	(52,500)
Appropriated to legal reserve	22	-	-	2,310	(2,310)	-
Net profit for the year		-	-	-	46,202	46,202
Other comprehensive loss for the year		-	-	-	(2,433)	(2,433)
Balance as at December 31, 2015		175,000	218,306	11,841	46,650	451,797

Notes to the financial statements form an integral part of these statements

HARN ENGINEERING SOLUTIONS PUBLIC COMPANY LIMITED
(FORMERLY KNOWN AS FIRE VICTOR PUBLIC COMPANY LIMITED)
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2016

Unit : Thousand Baht

	Notes	Issued and paid-up share capital	Premium on ordinary shares	Retained earnings		Total
				Appropriated	Unappropriated	
Balance as at January 1, 2016		175,000	218,306	11,841	46,650	451,797
Changes in shareholders' equity :						
Increase in ordinary shares	20	117,250	-	-	-	117,250
Premium on ordinary shares	4, 21	-	558,110	-	-	558,110
Dividend paid	23	-	-	-	(35,000)	(35,000)
Appropriated to legal reserve	22	-	-	2,026	(2,026)	-
Net profit for the year		-	-	-	40,531	40,531
Other comprehensive income for the year		-	-	-	4,951	4,951
Balance as at December 31, 2016		292,250	776,416	13,867	55,106	1,137,639

Notes to the financial statements form an integral part of these statements

HARN ENGINEERING SOLUTIONS PUBLIC COMPANY LIMITED
(FORMERLY KNOWN AS FIRE VICTOR PUBLIC COMPANY LIMITED)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016

Unit : Thousand Baht

	2016	2015 (Restated)
Cash flows from operating activities		
Profit before income tax expense	50,723	56,613
Adjustments :		
Depreciation and amortization of equipment and intangible assets	5,795	4,322
Amortization of customer relationship	1,325	-
Bad debt and doubtful debt	2,488	955
Loss on devaluation of inventories	8,370	671
Loss (gain) on disposals of equipment	227	(2,650)
Gain on disposals of investment	(2,067)	-
Unrealized (gain) loss on exchange rate	(374)	187
Unrealized (gain) loss on revaluation of temporary investments	(7,164)	2,488
Employee benefit obligations expense	1,200	750
Interest income	(104)	(585)
Dividend income	(395)	-
Profit from operations before changes in operating assets and liabilities	60,024	62,751
Changes in operating assets and liabilities		
Trade and other receivables	(8,548)	9,554
Current portion of finance lease receivables	(405)	-
Long-term finance lease receivables	(51)	-
Unbilled receivables	5,902	4,592
Inventories	(14,577)	(13,505)
Other current assets	(14,913)	(1,024)
Deposit at financial institution used as collateral	5,447	(1,280)
Other non-current assets	(503)	(936)



HARN ENGINEERING SOLUTIONS PUBLIC COMPANY LIMITED
(FORMERLY KNOWN AS FIRE VICTOR PUBLIC COMPANY LIMITED)
STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2016

Unit : Thousand Baht

	2016	2015 (Restated)
Cash flows from operating activities (Continued)		
Changes in operating assets and liabilities		
Trade and other payables	(5,629)	(2,079)
Short-term provisions	80	(300)
Other current liabilities	(1,288)	6,175
Payment of employee benefit obligations	(535)	(344)
Other non-current liabilities	575	958
Cash provided by operating activities	<u>25,579</u>	<u>64,562</u>
Interest received	104	585
Income tax paid	<u>(8,189)</u>	<u>(14,837)</u>
Net cash provided by operating activities	<u>17,494</u>	<u>50,310</u>
Cash flows from investing activities		
Dividends received	395	-
Cash transfer received from business acquisition	40,166	-
Cash received from temporary investments	727	12,762
Cash paid for purchases of equipment	(1,638)	(6,858)
Proceeds from sales of equipment	291	886
Cash paid for purchase of intangible asset	<u>(6,359)</u>	<u>(2,076)</u>
Net cash provided by investing activities	<u>33,582</u>	<u>4,714</u>



HARN ENGINEERING SOLUTIONS PUBLIC COMPANY LIMITED
(FORMERLY KNOWN AS FIRE VICTOR PUBLIC COMPANY LIMITED)
STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2016

Unit : Thousand Baht

	2016	2015 (Restated)
Cash flows from financing activities		
Cash repayment of short-term loan from financial institution	(8,394)	-
Dividends paid	(35,000)	(52,500)
Net cash used in financing activities	(43,394)	(52,500)
Net increase in cash and cash equivalents	7,682	2,524
Cash and cash equivalents as at January 1,	28,184	25,660
Cash and cash equivalents as at December 31,	<u>35,866</u>	<u>28,184</u>

Non - cash transactions are as follows :

1. Liabilities incurred from acquisition of fixed assets and intangible assets

Liabilities incurred from acquisition of fixed assets
and intangible assets as at January 1,

Inventory transferred to fixed asset	(167)	(36)
Construction in progress transferred to fixed assets from business combination	(867)	-
<u>Add</u> Purchases of fixed assets and intangible assets	8,361	8,970
<u>Less</u> Cash payments	(7,997)	(8,934)
Liabilities incurred from acquisition of fixed assets and intangible assets as at December 31,	<u>(670)</u>	<u>-</u>

2. Non-cash transaction arising from business combination (See Note 4).

Notes to the financial statements form an integral part of these statements

23. Notes to the Financial Statements

HARN ENGINEERING SOLUTIONS PUBLIC COMPANY LIMITED
(FORMERLY KNOWN AS FIRE VICTOR PUBLIC COMPANY LIMITED)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

Notes	Contents	Notes	Contents
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3	Significant accounting policies	20	Share capital
4	Acquisitions of businesses	21	Premium on ordinary shares
5	Related party transactions	22	Legal reserve
6	Cash and cash equivalents	23	Dividend paid
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8	Trade and other receivables	25	Operating segment
9	Finance lease receivables	26	Expenses by nature
10	Inventories	27	Income tax expense
11	Deposit at financial institution used as collateral	28	Basic earnings per share
12	Equipment	29	Commitments and contingent liabilities
13	Goodwill	30	Fair value measurements
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15	Intangible assets	32	Reclassifications
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HARN ENGINEERING SOLUTIONS PUBLIC COMPANY LIMITED
(FORMERLY KNOWN AS FIRE VICTOR PUBLIC COMPANY LIMITED)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

1. GENERAL INFORMATION

Harn Engineering Solutions Public Company Limited (the “Company”) was incorporated in Thailand under the Civil and Commercial Code of Thailand as a limited company on May 9, 2001. Subsequently, the Company was listed on the Stock Exchange of Thailand on May 22, 2014 and has its registered head office at 19/20-22 Soi Soonvijai, Rama 9 Road, Bangkapi, Huaykwang, Bangkok. The principal business is involved in wholesaling, retailing, and repairing, renting, leasing, contracting and installation services of fire protection system and fire suppression agent, trading cold storage devices, trading, repairing and renting of printing equipment.

The Company registered the change of the Company’s name from “Fire Victor Public Company Limited” to “Harn Engineering Solutions Public Company Limited” with the Ministry of Commerce on November 2, 2016 and changed the ticker symbol from “FIRE” to “HARN” with effective from November 2, 2016 onwards.

2. BASIS FOR PREPARATION AND PRESENTATION OF THE FINANCIAL STATEMENTS

2.1 Statement of compliance

- (1) The Company’s financial statements have been prepared in accordance with the Thai Accounting Standard (TAS) No. 1 (Revised 2015) regarding “Presentation of Financial Statements”, which is effective for the financial statements for the periods beginning on or after January 1, 2016 onwards, and the Regulation of The Stock Exchange of Thailand (SET) dated January 22, 2001, regarding the preparation and submission of financial statements and reports for the financial position and financial performance of the listed companies B.E. 2544. The format of presentation of the financial statements is not significantly different from the Notification of the Department of Business Development regarding “The Brief Particulars in the Financial Statement B.E. 2554” dated September 28, 2011. When the Company applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements or when it reclassifies items in its financial statements, the Company shall present a statement of financial position as at the beginning of the earliest comparative period which in the Company’s case is the beginning balance as at January 1, 2015. Therefore, the statements of financial position as at December 31, 2015 and January 1, 2015, presented herein for comparison, have been presented in the new format to conform to the statement of financial position as at December 31, 2016.
- (2) The accompanying financial statements have been prepared in the Thai language and expressed in Thai Baht. All financial information presented has been rounded to the nearest thousand Baht unless otherwise stated. The financial statements are prepared in conformity with Thai Financial Reporting Standards and accounting practices generally accepted in Thailand.
- (3) Thai Financial Reporting Standards affecting the presentation and/or disclosures in the current year financial statements.

The Federation of Accounting Professions has issued the Notifications regarding Thai Financial Reporting Standards (TFRSs) which are effective for the financial statements for the periods beginning on or after January 1, 2016 onwards, as follows :

Thai Accounting Standards (TAS)

TAS 1 (Revised 2015)	Presentation of Financial Statements
TAS 2 (Revised 2015)	Inventories
TAS 7 (Revised 2015)	Statement of Cash Flows
TAS 8 (Revised 2015)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 10 (Revised 2015)	Events after the Reporting Period
TAS 11 (Revised 2015)	Construction Contracts
TAS 12 (Revised 2015)	Income Taxes
TAS 16 (Revised 2015)	Property, Plant and Equipment
TAS 17 (Revised 2015)	Leases
TAS 18 (Revised 2015)	Revenue
TAS 19 (Revised 2015)	Employee Benefits
TAS 20 (Revised 2015)	Accounting for Government Grants and Disclosure of Government Assistance
TAS 21 (Revised 2015)	The Effects of Changes in Foreign Exchange Rate
TAS 23 (Revised 2015)	Borrowing Costs
TAS 24 (Revised 2015)	Related Party Disclosures
TAS 26 (Revised 2015)	Accounting and Reporting by Retirement Benefit Plans
TAS 27 (Revised 2015)	Separate Financial Statements
TAS 28 (Revised 2015)	Investments in Associates and Joint Ventures
TAS 29 (Revised 2015)	Financial Reporting in Hyperinflationary Economies
TAS 33 (Revised 2015)	Earnings per Share
TAS 34 (Revised 2015)	Interim Financial Reporting
TAS 36 (Revised 2015)	Impairment of Assets
TAS 37 (Revised 2015)	Provisions, Contingent Liabilities and Contingent Assets
TAS 38 (Revised 2015)	Intangible Assets
TAS 40 (Revised 2015)	Investment Property
TAS 41	Agriculture

Thai Financial Reporting Standards (TFRS)

TFRS 2 (Revised 2015)	Share-based payment
TFRS 3 (Revised 2015)	Business Combinations
TFRS 4 (Revised 2015)	Insurance Contracts
TFRS 5 (Revised 2015)	Non-current Assets Held for Sale and Discontinued Operations
TFRS 6 (Revised 2015)	Exploration for and Evaluation of Mineral Assets
TFRS 8 (Revised 2015)	Operating Segments
TFRS 10 (Revised 2015)	Consolidated Financial Statements



- TFRS 11 (Revised 2015) Joint Arrangements
 TFRS 12 (Revised 2015) Disclosure of Interests in Other Entities
 TFRS 13 (Revised 2015) Fair Value Measurement

Thai Accounting Standards Interpretations (TSIC)

- TSIC 10 (Revised 2015) Government Assistance - No Specific Relation to Operating Activities
 TSIC 15 (Revised 2015) Operating Leases - Incentives
 TSIC 25 (Revised 2015) Income Taxes - Change in the Tax Status of an Enterprise or its Shareholders
 TSIC 27 (Revised 2015) Evaluating the Substance of Transactions in the Legal Form of a Lease
 TSIC 29 (Revised 2015) Disclosure - Service Concession Arrangements
 TSIC 31 (Revised 2015) Revenue - Barter Transactions Involving Advertising Services
 TSIC 32 (Revised 2015) Intangible Assets - Web Site Costs
 Thai Financial Reporting Standard Interpretations (TFRIC)
 TFRIC 1 (Revised 2015) Changes in Existing Decommissioning, Restoration and Similar Liabilities
 TFRIC 4 (Revised 2015) Determining whether an Arrangement contains a Lease
 TFRIC 5 (Revised 2015) Rights to Interests arising from Decommissioning, Restoration and

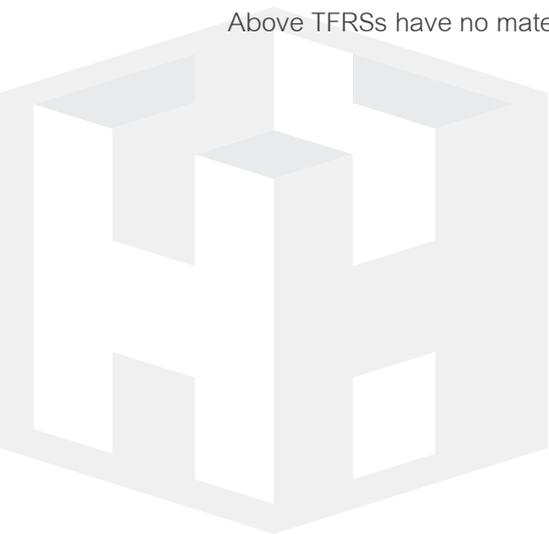
Environmental Rehabilitation Funds

- TFRIC 7 (Revised 2015) Applying the Restatement Approach under TAS 29 (Revised 2015)
 Financial Reporting in Hyperinflationary Economies
 TFRIC 10 (Revised 2015) Interim Financial Reporting and Impairment
 TFRIC 12 (Revised 2015) Service Concession Arrangements
 TFRIC 13 (Revised 2015) Customer Loyalty Programmes
 TFRIC 14 TAS 19 (Revised 2015) - The Limit on a Defined Benefit Asset, Minimum
 Funding Requirements and their Interaction
 TFRIC 15 (Revised 2015) Agreements for the Construction of Real Estate
 TFRIC 17 (Revised 2015) Distributions of Non-cash Assets to Owners
 TFRIC 18 (Revised 2015) Transfers of Assets from Customers
 TFRIC 20 (Revised 2015) Stripping Costs in the Production Phase of a Surface Mine
 TFRIC 21 Levies

Guideline on Accounting

- Guideline on Accounting regarding Recognition and Measurement of Bearer Plants
 Guideline on Accounting for Insurance Business regarding Designation of Financial Instruments at Fair Value through Profit or Loss

Above TFRSs have no material impact on these financial statements.



(4) Thai Financial Reporting Standards announced in the Royal Gazette but not yet effective. The Federation of Accounting Professions has issued the Notifications regarding

Thai Financial Reporting Standards (TFRSs) which are effective for the financial statements for the period beginning on or after January 1, 2017 onwards.

Thai Accounting Standards (TAS)

TAS 1 (Revised 2016)	Presentation of Financial Statements
TAS 2 (Revised 2016)	Inventories
TAS 7 (Revised 2016)	Statement of Cash Flows
TAS 8 (Revised 2016)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 10 (Revised 2016)	Events after the Reporting Period
TAS 11 (Revised 2016)	Construction Contracts
TAS 12 (Revised 2016)	Income Taxes
TAS 16 (Revised 2016)	Property, Plant and Equipment
TAS 17 (Revised 2016)	Leases
TAS 18 (Revised 2016)	Revenue
TAS 19 (Revised 2016)	Employee Benefits
TAS 20 (Revised 2016)	Accounting for Government Grants and Disclosure of Government Assistance
TAS 21 (Revised 2016)	The Effects of Changes in Foreign Exchange Rate
TAS 23 (Revised 2016)	Borrowing Costs
TAS 24 (Revised 2016)	Related Party Disclosures
TAS 26 (Revised 2016)	Accounting and Reporting by Retirement Benefit Plans
TAS 27 (Revised 2016)	Separate Financial Statements
TAS 28 (Revised 2016)	Investments in Associates and Joint Ventures
TAS 29 (Revised 2016)	Financial Reporting in Hyperinflationary Economies
TAS 33 (Revised 2016)	Earnings per Share
TAS 34 (Revised 2016)	Interim Financial Reporting
TAS 36 (Revised 2016)	Impairment of Assets
TAS 37 (Revised 2016)	Provisions, Contingent Liabilities and Contingent Assets
TAS 38 (Revised 2016)	Intangible Assets
TAS 40 (Revised 2016)	Investment Property
TAS 41 (Revised 2016)	Agriculture
TAS 104 (Revised 2016)	Accounting for Trouble Debt Restructuring
TAS 105 (Revised 2016)	Accounting for Investments in Debt and Equity Securities
TAS 107 (Revised 2016)	Financial Instruments Disclosure and Presentation

Thai Financial Reporting Standards (TFRS)

TFRS 2 (Revised 2016)	Share-based payment
TFRS 3 (Revised 2016)	Business Combinations
TFRS 4 (Revised 2016)	Insurance Contracts



- TFRS 5 (Revised 2016) Non-current Assets Held for Sale and Discontinued Operations
- TFRS 6 (Revised 2016) Exploration for and Evaluation of Mineral Assets
- TFRS 8 (Revised 2016) Operating Segments
- TFRS 10 (Revised 2016) Consolidated Financial Statements
- TFRS 11 (Revised 2016) Joint Arrangements
- TFRS 12 (Revised 2016) Disclosure of Interests in Other Entities
- TFRS 13 (Revised 2016) Fair Value Measurement

Thai Accounting Standards Interpretations (TSIC)

- TSIC 10 (Revised 2016) Government Assistance - No Specific Relation to Operating Activities
- TSIC 15 (Revised 2016) Operating Leases - Incentives
- TSIC 25 (Revised 2016) Income Taxes - Change in the Tax Status of an Enterprise or its Shareholders
- TSIC 27 (Revised 2016) Evaluating the Substance of Transactions in the Legal Form of a Lease
- TSIC 29 (Revised 2016) Disclosure - Service Concession Arrangements
- TSIC 31 (Revised 2016) Revenue - Barter Transactions Involving Advertising Services
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- TFRIC 1 (Revised 2016) Changes in Existing Decommissioning, Restoration and Similar Liabilities
- TFRIC 4 (Revised 2016) Determining whether an Arrangement contains a Lease
- TFRIC 5 (Revised 2016) Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
- TFRIC 7 (Revised 2016) Applying the Restatement Approach under TAS 29 (Revised 2016) Financial Reporting in Hyperinflationary Economies
- TFRIC 10 (Revised 2016) Interim Financial Reporting and Impairment
- TFRIC 12 (Revised 2016) Service Concession Arrangements
- TFRIC 13 (Revised 2016) Customer Loyalty Programmes
- TFRIC 14 (Revised 2016) TAS 19 (Revised 2016) Employee Benefit - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
- TFRIC 15 (Revised 2016) Agreements for the Construction of Real Estate
- TFRIC 17 (Revised 2016) Distributions of Non-cash Assets to Owners
- TFRIC 18 (Revised 2016) Transfers of Assets from Customers
- TFRIC 20 (Revised 2016) Stripping Costs in the Production Phase of a Surface Mine
- TFRIC 21 (Revised 2016) Levies

Guideline on Accounting

Guideline on Accounting regarding Derecognition and of Financial Assets and Liabilities

The Company's management will adopt the above relevant TFRSs and Guideline on Accounting in the preparation of the financial statements when they become effective. The management of the Company is currently in the process to assess the impact of these TFRS on the financial statements of the Company in the period of initial application.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements are prepared in English version from the financial statements followed the laws which is in Thai. In the event of any conflict or be interpreted in two different languages, the Thai version financial statements in accordance with Thailand law is superseded.

The financial statements have been prepared under the measurement basis of historical cost except as disclosed in the accounting policies as follows :

3.1 Business combinations

The Company applies the acquisition method for all business combinations except for the business combination under common control.

The Company's control is achieved when the Company (1) has power over the investee (2) is exposed, or has rights, to variable returns from its involvement with the investee and (3) has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Goodwill is measured as the fair value of the consideration transferred including the recognized amount of any non-controlling interest in the acquiree, less the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date.

Consideration transferred includes the fair values of the assets transferred, liabilities incurred by the Company to the previous owners of the acquiree, and equity interests issued by the Company. Consideration transferred also includes the fair value of any contingent consideration and share-based payment awards of the acquiree that are replaced mandatorily in the business combination.

A contingent liability of the acquiree is assumed in a business combination only if such a liability represents a present obligation and arises from a past event, and its fair value can be measured reliably.

The Company measures any non-controlling interest at its proportionate interest in the identifiable net assets of the acquiree.

Transaction costs that the Company incurs in connection with a business combination, such as legal fees, and other professional and consulting fees are expensed as incurred.

3.2 Foreign currencies

Transactions in foreign currencies

Transactions in foreign currencies are translated to Thai Baht at the foreign exchange rates ruling at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Thai Baht at the foreign exchange rates ruling at that date. Foreign exchange differences arising on translation are recognized as profit or loss in statement of profit or loss and other comprehensive income.



Non-monetary assets and liabilities measured at cost in foreign currencies are translated to Thai Baht using the foreign exchange rates ruling at the dates of the transactions.

3.3 Derivative financial instruments

Derivative financial instruments are used to manage exposure to foreign exchange, interest rate and product price risks arising from operational, financing and investment activities.

The Company entered into forward foreign exchange contracts in asset and liability management activities to control exposure to fluctuations in foreign exchange rates. Further details of financial instruments are disclosed in Note 31.

Gains and losses on forward foreign exchange contracts designated as hedges of existing assets and liabilities without using hedge accounting are recognized as income or expense in the statement of profit or loss and other comprehensive income.

Amounts to be paid and received are offset in the statement of financial position and included in assets or liabilities category in the statement of financial position.

The Company has no policy to speculate in or engage in the trading of any derivative financial instruments.

3.4 Hedge accounting

Fair value hedges accounting

Where a derivative financial instrument hedges the changes in fair value of a recognized asset, liability or unrecognized firm commitment, any gain or loss on remeasuring the fair value or foreign currency component of the hedging instrument is recognized as income or expense or in statement of profit or loss and other comprehensive income. The hedged item is also stated at fair value in respect of the risk being hedged.

Hedge accounting is discontinued when the Company revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualified for hedge accounting. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognized immediately in profit or loss in the statement of profit or loss and other comprehensive income.

3.5 Cash and cash equivalents

Cash and cash equivalents are cash on hand, cash at banks and bank deposits with a maturity date less than 3 months excluded deposits at bank used as collateral and short-term investments with high liquidity.

3.6 Temporary investments

Marketable equity securities held for trading are stated at fair value, with any resultant gain or loss from revaluation recognized in the statement of profit or loss and other comprehensive income.

Costs of investment sold during the year are calculated using the weighted average cost method.

3.7 Trade and other receivables

Trade and other receivables are stated at their invoice value less allowance for doubtful accounts.

Allowance for doubtful accounts is an estimation of those amounts, which may prove to be uncollectible, based on historical collection experience and review of the current status of existing receivables. Bad debts are written off when incurred.

3.8 Inventories

Inventories are valued at the lower of cost or net realizable value.

Cost of inventories is calculated by weighted average method which comprises all costs of purchases, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In the case of manufactured inventories, cost includes an appropriate share of overhead based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business less the costs to make the sale.

An allowance is made for all deteriorated, damaged, obsolete and slow-moving inventories.

3.9 Equipment

Recognition and measurement

Equipment are stated at cost less accumulated depreciation and allowance for impairment (if any).

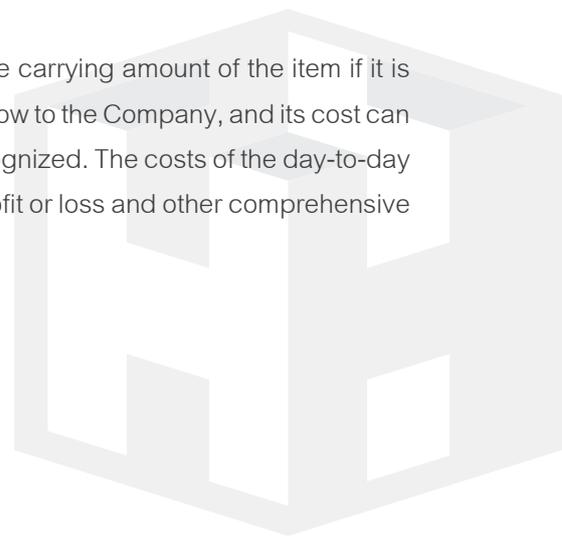
Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the assets to a working condition for their intended use as part of that equipment.

When parts of an item of equipment have different useful lives, they are accounted for as separate items (major components) of equipment.

Gains or losses on disposal of an item of equipment are determined by comparing the proceeds from disposal with the carrying amount of equipment, and are recognized net within other income or other expense in the statement of profit or loss and other comprehensive income.

Subsequent costs

The cost of replacing a part of an item of equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of equipment are recognized as an expense in statement of profit or loss and other comprehensive income as incurred.



Depreciation

Depreciation is calculated based on the depreciable amount of equipment, which is the cost of an asset, or other amount substituted for cost, less its residual value. Depreciation is charged as an expense to the statement of profit or loss and other comprehensive income on a straight-line basis over the estimated useful lives of each property. The estimated useful lives are as follows :

	Years
Tool and equipment	5
Furniture and office equipment	5
Vehicles	5 - 7
Assets for rental and demonstration	5

Depreciation is included in determining income and no depreciation is provided for construction in progress.

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

3.10 Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. The measurement of goodwill at initial recognition is described in Note 3.1. Subsequent to the initial recognition, goodwill is measured at cost less impairment loss. The Company assesses an impairment of goodwill annually, without consideration of indication that such goodwill may be impaired.

3.11 Intangible asset

Other intangible assets

Other intangible asset, which are acquired by the Company and have finite useful lives, are stated at cost less accumulated amortization and allowance for impairment (if any).

Amortization

Amortization is recognized as an expense in the statement of profit or loss and other comprehensive income on a straight-line basis over the estimated useful lives of intangible asset, other than goodwill, from the date that they are available for use as follows :

	Years
Computer software	5 - 10
Customer relationship	7

Amortization methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

3.12 Impairment of assets

The carrying amounts of the Company's assets are reviewed at each the reporting period date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For goodwill and customer relationship, the recoverable amount is estimated each year at the same time.

An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The impairment loss is recognized as expense in the statements of profit or loss and other comprehensive income unless it reverses a previous revaluation credited to equity and subsequently occurs impairment, in which case it is charged to statement of other comprehensive income.

Calculation of recoverable amount

The recoverable amount is the greater of the assets' fair value less cost to sell or value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversals of impairment

An impairment loss in respect of financial assets is reversed if subsequent increase in recoverable amount and the recoverable amount can be related objectively to an event after the impairment loss was recognized as an expense in the statement of profit or loss and other comprehensive income.

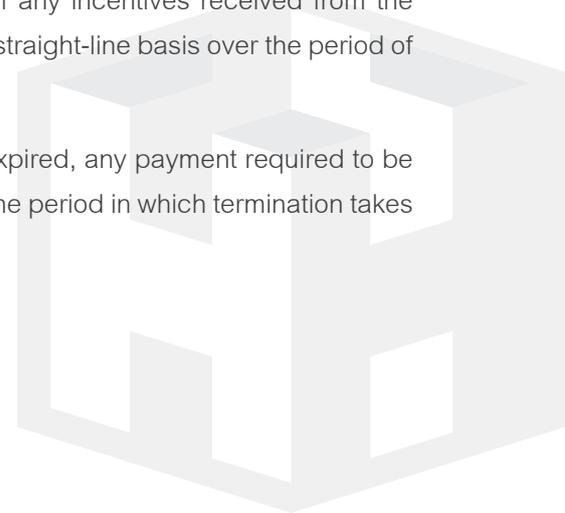
An impairment loss in respect of goodwill is not reversed. Impairment losses recognized in prior periods in respect of other non-financial assets are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, as if no impairment loss had been recognized.

3.13 Lease

Operating Lease

Leases not transferring a significant portion of the risks and rewards of ownership to the lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statements of comprehensive income on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognized as an expense in the period in which termination takes place.



Financial lease

Lease in which substantially all the risks and rewards of ownership other than legal title are transferred to the Company is accounted for as financial lease. At inception, the fair value of the leased assets is recorded together with the obligation. The leased assets are depreciated using the straight-line method over their estimated useful lives. Interest or finance charge and depreciation are recognized as expenses in the statements of profit or loss and other comprehensive income.

3.14 Employee benefits

Short-term benefits

The Company recognizes salaries, wages, bonus and social security contribution as expenses when incurred.

Post-employment benefits - defined contribution plan

The Company operates a provident fund that is a defined contribution plan. The assets of which are held in a separate trust fund. The provident fund is funded by payments from employees and the Company. Contributions to the provident fund and obligations under contribution plan are charged as an expense to the statement of comprehensive income in the period to which they relate.

Post-employment benefits - defined benefit plan

The employee benefits liabilities for severance payment as the labor law is recognized as an expense over the employee's service period. It is calculated by estimating the amount of future benefit earned by employees in return for service provided to the Company in the current and future periods, with such benefit being discounted to determine the present value. The reference point for setting the discount rate is the yield rate of government bonds as at the reporting date. The calculation is performed by actuarial technique using the Projected Unit Credit Method.

When the employee benefits are improved, the portion of the increased benefit relating to past service by employees is recognized in the statement of profit or loss and other comprehensive income on a straight-line basis over the average period until the benefits become vested.

When the actuarial assumptions are changed, the Company recognizes all actuarial gains (losses) immediately in other comprehensive income.

3.15 Revenues

3.15.1 Sale of goods

Revenue excluding value added taxes is arrived at after deduction of trade discounts.

Revenue from sale is recognized in the statement of profit or loss and other comprehensive income when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognized if there is continuing management involvement with the goods or there are significant uncertainties regarding recovery

3.15.2 Revenues from rendering of service

Revenues from rendering of service are recognized when services are rendered to customers.

3.15.3 Revenue from service contract

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and can be measured reliably. As soon as the outcome of a service contract can be estimated reliably, contract revenue and expenses are recognized in the statement of profit or loss and other comprehensive income in proportion to the stage of completion of the contract.

The stage of completion is assessed by reference to the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs.

When the outcome of a service contract cannot be estimated reliably, revenue contract is recognized only to the extent of contract costs incurred that it is probably will be recoverable.

When it is probable that total contract costs will exceed total contract revenue, the expected loss on a contract shall be recognized in the statement of profit or loss and other comprehensive income.

The completed part of service, which has not yet been delivered for acceptance or for billing, is recorded as unbilled receivables.

3.15.4 Rental income

Rental income under operating leases is recognized in the statement of profit or loss and other comprehensive income on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income. Contingent rentals are recognized as income in the accounting period in which they are earned.

3.15.5 Interest income and other income

Interest income is recognized in the statements of profit or loss and other comprehensive income on an accrual basis, based on the effective rate method.

Other income is recognized on an accrual basis.

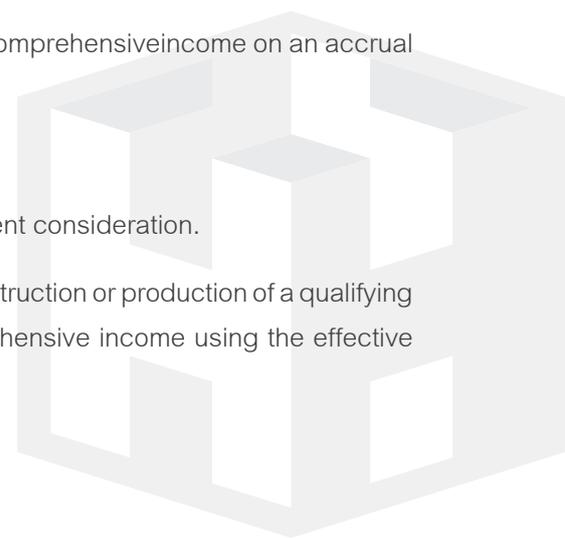
3.16 Expenses

Expenses are recognized in the statement of profit or loss and other comprehensive income on an accrual basis.

3.17 Borrowing costs

Finance costs comprise interest expense on borrowings and contingent consideration.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in statement of profit or loss and other comprehensive income using the effective interest method.



3.18 Income tax

Income tax expense for the year comprises current and deferred tax.

Current and deferred tax are recognized as income or expense in the statements of profit or loss and other comprehensive income except to the extent that they relate to a business combination, or items recognized directly in shareholders' equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of goodwill; the initial recognition of assets or liabilities in a transaction in the consolidated financial statement that is not a business combination and that affects neither accounting nor taxable profit or loss; and differences relating to investments in subsidiaries and jointly-controlled entities to the extent that it is probable that they will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

In determining the amount of current and deferred tax, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Company believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Company to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilized. Deferred tax assets are reviewed at the end of reporting period date and reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3.19 Basic earnings per share

The calculations of basic earnings per share for the year were based on the profit for the year attributable to equity holders divided by the weighted average number of ordinary shares held by outsiders outstanding during the year. The calculations of diluted earnings per share for the year were based on the weighted average number of ordinary shares on the assumption that all dilutive potential ordinary shares have been converted to ordinary shares.

3.20 Fair value measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the financial statements is determined on such a basis, except for sharebased payment transactions that are within the scope of TFRS 2 (Revised 2015), leasing transactions that are within the scope of TAS 17 (Revised 2015), and measurements that have some similarities to fair value but are not fair value, such as net realizable value in TAS 2 (Revised 2015) or value in use in TAS 36 (Revised 2015).

In addition, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows :

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 inputs are inputs, other than quoted prices included within Level 1, which are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

3.21 Accounting estimates and source of estimation uncertainty

(1) Use of management's critical judgements in applying accounting policies

The preparation of financial statements in conformity with generally accepted accounting principles requires the Company's management to exercise judgments in order to determine the accounting policies, estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the end of reporting period and the reported amounts of revenue and expense during the reporting period. Although these estimates are based on management's reasonable consideration of current events, actual results may differ from these estimates.

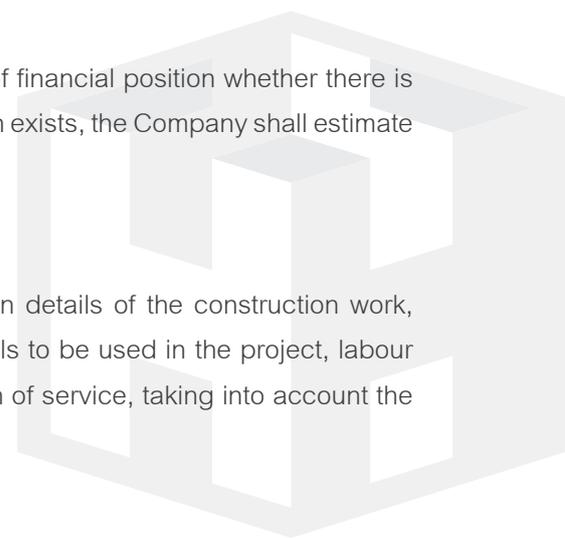
Critical judgments in applying accounting policies are as follows :

Impairment

The Company shall assess the assets balance at the statement of financial position whether there is any indication that an asset may be impaired. If any such indication exists, the Company shall estimate the recoverable amount of the asset.

Estimated construction project costs

The Company estimates costs of construction projects based on details of the construction work, taking into account the volume and value of construction materials to be used in the project, labour costs and other miscellaneous costs to be incurred to completion of service, taking into account the



direction of the movement in these costs. Estimates are reviewed regularly or whenever actual costs differ significantly from the figures used in the original estimates. Provision for losses on project services contract Management applies judgement in estimating the loss they expect to be realised on each installation, based on estimates of anticipated costs that take into account the progress of the project and actual costs incurred to date, together with fluctuations in costs of installation materials, labour and the current situation.

Provision for penalty from delay delivery

The Company has provision incurred from delay delivery. The management applies judgement in estimating the penalty based on contract rate and the period of delay project work. The Company has recorded provision for penalty from delay delivery in the financial statements. However, actual results could differ from the estimates.

Classification of leases

In determining whether a lease should be classified as an operating lease or finance lease, the Company's management has to use judgement to determine whether significant risk and rewards of ownership of the leased asset has been transferred, taking into consideration terms and conditions of the arrangement.

Employee benefit obligations

The present value of the employee benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions, including the discount rate. Any changes in these assumptions will have an impact on the carrying amount of such obligations.

The Company determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the employee benefit obligations. In determining the appropriate discount rate, the Company's considers the market yield of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related obligations. Additional information is disclosed in Note 18.

(2) Key sources of estimation uncertainty

Fair value measurements and valuation processes

In estimating the fair value of an asset or liability, the Company uses marketobservable data to the extent it is available. Where Level 1 inputs are not available, the Company engages qualified external valuers to perform the valuation to establish the appropriate valuation techniques and inputs to the model.

Information about valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed in Note 30.

4. ACQUISITIONS OF BUSINESSES

On November 2, 2016, the Company increased the registered capital by Baht 117,250,000, from Baht 175,000,000 to Baht 292,250,000 by issuing newly 234,500,000 ordinary shares with the par value of Baht 0.50 per share, at the offering price at fair value of Baht 2.88 per share. It represents the issued and paid-up ordinary shares amount of Baht 117,250,000 and premium on ordinary shares of Baht 558,110,000, total value of Baht 675,360,000. The Company took such increased shares in exchange of the entire business transfer of Chillmatch Co., Ltd. and QIIS Co., Ltd. (see Note 20).

Fair value of the net identifiable assets acquired on the date of acquisition were as follows :

	Chillmatch Co., Ltd.	Q II S Co., Ltd.	Total
Cash and cash equivalents	31,326	8,840	40,166
Trade and other receivables	76,867	69,457	146,324
Current portion of finance lease receivables	-	9,612	9,612
Inventories	66,612	50,600	117,212
Other current assets	723	650	1,373
Deposit at financial institution used as collateral	-	4,167	4,167
General investment	242	-	242
Long-term finance lease receivables	-	9,993	9,993
Equipment	9,167	19,286	28,453
Intangible assets	7,943	7,801	15,744
Customer relationship	75,364	28,943	104,307
Deferred tax assets	1,657	1,682	3,339
Other non-current assets	2,485	7,046	9,531
Short-term borrowing from a financial institution	-	(8,394)	(8,394)
Trade and other payables	(45,510)	(37,313)	(82,823)
Income tax payable	(2,541)	(5,776)	(8,317)
Other current liabilities	(4,008)	(3,508)	(7,516)
Other non-current liabilities	(1,839)	(7,011)	(8,850)
Employee benefit obligations	(4,858)	(4,735)	(9,593)
Deferred tax liabilities	(16,584)	(7,698)	(24,282)
Net identifiable assets and liabilities	197,046	143,642	340,688
Consideration paid in exchange of shares (Non-cash items)	397,112	278,248	675,360
Goodwill	200,066	134,606	334,672

5. RELATED PARTY TRANSACTIONS

The Company had transactions with related parties. These parties were related through common shareholders and/or directorships or close member of family. The significant transactions with related parties as included in the financial statements are determined at the prices in line occurring in the normal course of business based on the market price in general or the price as stipulated in the agreement if no market price exists.

The significant transactions with related parties for the years ended December 31, 2016 and 2015 were as follows :

	Unit : Thousand Baht	
	2016	2015
Purchase of goods		
Chillmatch Co., Ltd.	4	8
Sales of goods		
Chillmatch Co., Ltd.	-	7
Q II S Co., Ltd.	-	1
Purchase of equipment and intangible asset		
Harn Engineering Co., Ltd.	-	1,736
Sale of equipment		
Mr. Rattanaphan Mukhariwattananon	-	532
Mrs. Urairut Hanthaweeapat	-	353
Other income		
Q II S Co., Ltd.	2,681	6,629
Chillmatch Co., Ltd.	1,155	4,334
Office rental and service expenses		
Harn Engineering Co., Ltd.	5,469	5,211
Mr. Jain Charnnarong	451	469
Directors remuneration		
Directors	3,051	495

The significant balances of assets and liabilities with related parties as at December 31, 2016 and 2015 were as follows :

	Unit : Thousand Baht	
	2016	2015
Trade and other receivables		
Harn Engineering Co., Ltd.	3,820	1,380
Trade and other payables		
Chillmatch Co., Ltd.	-	1

Key management personnel compensation

Key management personnel compensation as at December 31, 2016 and 2015 consisted of :

Unit : Thousand Baht

	2016	2015
Short-term employee benefits	8,162	7,378
Post-employment benefits	311	58
Total	8,473	7,436

The Company/person relationship are detailed as follows :

Company/Person name	Country/ Nationality	Related	Relationship
Harn Engineering Co., Ltd.	Thailand	Related company	Directorships and / or common shareholders
Q II S Co., Ltd.*	Thailand	Subsidiary	Major shareholders
Chillmatch Co., Ltd.*	Thailand	Subsidiary	Major shareholders
Charnnarong Holding Group Co., Ltd.	Thailand	Related company	Directorships and / or common shareholders
Soisawan Co., Ltd.	Thailand	Related company	Directorships and / or common shareholders
Piyaraj Land and House Co., Ltd.	Thailand	Related company	Directorships and / or common shareholders
Mother Land Property Co., Ltd.	Thailand	Related company	Directorships and / or common shareholders
Mr. Jain Charnnarong	Thai	Related person	Shareholder and close member of the director's family
Mr. Rattanaphan Mukhariwattananon	Thai	Related person	Shareholder
Mrs. Urairut Hanthaweeapat	Thai	Related person	Shareholder

*On November 29, 2016, the Company has entered into agreement to acquire the business of these companies which are subsidiaries under the Entire Business Transfer (EBT) process (see Note 4).

Significant agreements with related parties

The Company entered into office building rental agreement as follows :

As at December 31, 2016

	Lessor	Period	Rate per month (Baht)
Office rental agreement	Mr. Jain Charnnarong	3 years	53,100
	Harn Engineering Co., Ltd.	1 year	549,600
Warehouse rental agreement	Harn Engineering Co., Ltd.	1 year	280,900

6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as at December 31, 2016 and 2015 consisted of the following :

Unit : Thousand Baht

	2016	2015
Cash on hand	152	152
Savings deposit	21,591	9,652
Current deposits	10,459	17,659
Deposit in transit	2,668	-
Mutual fund	996	721
Total cash and cash equivalents	<u>35,866</u>	<u>28,184</u>

7. TEMPORARY INVESTMENTS

Temporary investments as at December 31, 2016 and 2015 consisted of :

As at December 31, 2016

Unit : Thousand Baht

	Cost value As at December 31, 2016	Unrealized gain (loss) on revaluation of investments	Fair value As at December 31, 2016
Trading securities			
• Investment units	225,540	6,316	231,856
• Investments in listed securities	32,481	848	33,329
<u>Less</u> Allowance for diminution in value of investment	(6)	-	(6)
Total	<u>258,015</u>	<u>7,164</u>	<u>265,179</u>

As at December 31, 2015

Unit : Thousand Baht

	Cost value As at December 31, 2015	Unrealized gain (loss) on revaluation of investments	Fair value As at December 31, 2015
Trading securities			
Investment units	222,934	4,303	227,237
Investments in listed securities	35,418	(5,970)	29,448
<u>Less</u> Allowance for diminution in value of investment	(10)	-	(10)
Total	<u>258,342</u>	<u>(1,667)</u>	<u>256,675</u>

8. TRADE AND OTHER RECEIVABLES

Trade and other receivables as at December 31, 2016 and 2015 consisted of :

Unit : Thousand Baht

	2016	2015 (Restated)
Trade receivables - other companies	259,332	113,408
<u>Less</u> Allowance for doubtful accounts	(5,415)	(2,926)
Total trade receivables - net	253,917	110,482
Other receivable - related party	3,820	1,380
Other receivables - other companies	12,895	5,056
Prepaid expenses	2,782	4,633
Accrued income	534	13
Total trade and other receivables	<u>273,948</u>	<u>121,564</u>

Trade receivables as at December 31, 2016 and 2015 are classified by aging as follows :

Unit : Thousand Baht

	2016	2015
Trade receivables		
Current	162,303	75,328
Overdue		
Less than 3 months	88,461	33,599
Over 3 months up to 6 months	560	529
Over 6 months up to 12 months	1,792	2,210
Over 12 months	6,216	1,742
Total	259,332	113,408
<u>Less</u> Allowance for doubtful account	(5,415)	(2,926)
Trade receivables	<u>253,917</u>	<u>110,482</u>

9. FINANCE LEASE RECEIVABLES

The Company entered financial lease agreements of printing devices with lease terms is monthly at Baht 1.16 million. As at December 31, 2016 and 2015, finance lease receivables are as follows;

Unit : Thousand Baht

	2016	2015
Finance lease receivables	20,061	-
<u>Less</u> Current portion	(10,017)	-
Long-term finance lease receivables	<u>10,044</u>	-

The minimum lease payments and present value of minimum lease payments which receivable will be paid under the financial lease agreements as at December 31, 2016 and 2015, are as follows :

Unit : Thousand Baht

	2016		2015	
	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
Collection period				
Within 1 year	13,756	10,017	-	-
Over 1 year but less than 5 years	15,049	10,044	-	-
	28,805	20,061		
<u>Less</u> Deferred interest	(8,744)	-	-	-
	<u>20,061</u>	<u>20,061</u>	<u>-</u>	<u>-</u>

10. INVENTORIES

Inventories as at December 31, 2016 and 2015 consisted of :

Unit : Thousand Baht

	2016	2015
Finished goods	211,587	98,065
Goods in transit	40,958	22,858
Total	252,545	120,923
<u>Less</u> Allowance for loss on devaluation of inventories	(14,979)	(6,608)
Inventories	<u>237,566</u>	<u>114,315</u>

As at December 31, 2016 and 2015, the amount of write-down of inventories recognized as part of cost of sales for the year in the statement of profit or loss and other comprehensive income are Baht 2.76 million and Baht 0.67 million, respectively.

11. DEPOSIT AT FINANCIAL INSTITUTION USED AS COLLATERAL

As at December 31, 2015, the Company has savings deposit at bank of Baht 1.28 million, pledged as collateral with a bank for letter of guarantee (see Note 29.1) (2016 : Nil).

12. EQUIPMENT

Equipment as at December 31, 2016 and 2015 were as follows :

As at December 31, 2016

Unit : Thousand Baht

	Balance as at January 1, 2016	Increase	Acquire through business combination	(Decrease)	Balance as at December 31, 2016
Cost					
Tool and equipment	1,192	63	2,177	(5)	3,427
Furniture and office equipment	10,354	2,060	11,458	(63)	23,809
Vehicles	12,691	18	15,633	(791)	27,551
Assets for rental and demonstration	3,929	628	30,116	(28)	34,645
Building and construction in progress	-	-	868	(868)	-
Total cost	28,166	2,769	60,252	(1,755)	89,432
Accumulated depreciation					
Tool and equipment	(746)	(251)	(995)	5	(1,987)
Furniture and office equipment	(3,622)	(2,238)	(3,991)	55	(9,796)
Vehicles	(4,221)	(1,228)	(8,183)	128	(13,504)
Assets for rental and demonstration	(3,355)	(609)	(18,630)	14	(22,580)
Total accumulated depreciation	(11,944)	(4,326)	(31,799)	202	(47,867)
Total equipment	16,222				41,565



As at December 31, 2015

Unit : Thousand Baht

	Balance as at January 1, 2015	Increase	(Decrease)	Balance as at December 31, 2015
Cost				
Tool and equipment	1,156	56	(20)	1,192
Furniture and office equipment	9,006	1,478	(130)	10,354
Vehicles	9,291	5,351	(1,951)	12,691
Assets for rental and demonstration	3,922	8	(1)	3,929
Total cost	<u>23,375</u>	<u>6,893</u>	<u>(2,102)</u>	<u>28,166</u>
Accumulated depreciation				
Tool and equipment	552	(214)	20	(746)
Furniture and office equipment	(1,866)	(1,885)	129	(3,622)
Vehicles	(5,038)	(1,134)	1,951	(4,221)
Assets for rental and demonstration	(3,106)	(250)	1	(3,355)
Total accumulated depreciation	<u>(10,562)</u>	<u>(3,483)</u>	<u>2,101</u>	<u>(11,944)</u>
Total equipment	<u><u>12,813</u></u>			<u><u>16,222</u></u>

Depreciation for the years ended December 31,

2016

Thousand Baht

4,326

2015

Thousand Baht

3,483



13. GOODWILL

Goodwill as at December 31, 2016 and 2015 were as follows :

Unit : Thousand Baht

	2016	2015
Cost		
Brought forward as at January 1,	-	-
Acquired through business combination (See Note 4)	334,672	-
Balance as at December 31,	<u>334,672</u>	<u>-</u>

14. CUSTOMER RELATIONSHIP

Customer relationship as at December 31, 2016 and 2015 were as follows :

Unit : Thousand Baht

	2016	2015
Cost		
Brought forward as at January 1,	-	-
Acquired through business combination (See Note 4)	104,308	-
Amortization for the year	(1,325)	-
Balance as at December 31,	<u>102,983</u>	<u>-</u>

15. INTANGIBLE ASSET

Intangible asset as at December 31, 2016 and 2015 were as follows :

As at December 31, 2016

Unit : Thousand Baht

	Balance as at January 1, 2016	Increase	Acquire through business combination	(Decrease)	Balance as at December 31, 2016
Cost					
Computer software	7,249	8,192	16,956	-	32,397
Software under installation	833	5,077	1,640	(7,510)	40
Total cost	<u>8,082</u>	<u>13,269</u>	<u>18,596</u>	<u>(7,510)</u>	<u>32,437</u>
Accumulated amortization					
Computer software	(1,367)	(1,469)	(2,852)	-	(5,688)
Total accumulated amortization	<u>(1,367)</u>	<u>(1,469)</u>	<u>(2,852)</u>	<u>-</u>	<u>(5,688)</u>
Total intangible asset	<u>6,715</u>				<u>26,749</u>

As at December 31, 2015

Unit : Thousand Baht

	Balance as at January 1, 2015	Increase	(Decrease)	Balance as at December 31, 2015
Cost				
Computer software	1,410	5,839	-	7,249
Software under installation	4,596	833	(4,596)	833
Total cost	<u>6,006</u>	<u>6,672</u>	<u>(4,596)</u>	<u>8,082</u>
Accumulated depreciation				
Computer software	(528)	(839)	-	(1,367)
Total accumulated depreciation	<u>(528)</u>	<u>(839)</u>	<u>-</u>	<u>(1,367)</u>
Total intangible asset	<u><u>5,478</u></u>			<u><u>6,715</u></u>
Amortization for the years ended December 31,				
2016			Thousand Baht	<u>1,469</u>
2015			Thousand Baht	<u><u>839</u></u>

16. DEFERRED TAX

Deferred tax assets and deferred tax liabilities as at December 31, 2016 and 2015 consisted of :

Unit : Thousand Baht

	2016	2015
Deferred tax assets	6,246	3,601
Deferred tax liabilities	(25,203)	(151)
Total	<u><u>(18,957)</u></u>	<u><u>3,450</u></u>



Movement of deferred tax assets and deferred tax liabilities during the year are as follows ;

As at December 31, 2016

Unit : Thousand Baht

	Balance as at January 1, 2016	Acquire through business combination	Recognized in Profit (loss)	Recognized in other comprehensive income	Balance as at December 31, 2016
Deferred tax assets					
Allowance for doubtful account	585	423	188	-	1,196
Allowance for devaluation of inventories	1,322	1,695	(21)	-	2,996
Allowance for impairment of investment	2	-	(1)	-	1
Employee benefit obligations	1,692	1,339	225	(1,238)	2,018
Foreign currency forward contracts	-	20	15	-	35
Total	<u>3,601</u>	<u>3,477</u>	<u>406</u>	<u>(1,238)</u>	<u>6,246</u>
Deferred tax liabilities					
Inventories (from fair value adjustment of business combination)	-	(2,085)	574	-	(1,511)
Equipment (from fair value adjustment of business combination)	-	(1,336)	55	-	(1,281)
Unrealized gain (loss) on temporary investments	-	-	(1,433)	-	(1,433)
Customer relationship (from fair value adjustment of business combination)	-	(20,861)	265	-	(20,596)
Depreciation of equipment	(151)	(31)	(94)	-	(276)
Finance lease assets	-	(107)	1	-	(106)
Total	<u>(151)</u>	<u>(24,420)</u>	<u>(632)</u>	<u>-</u>	<u>(25,203)</u>
Total	<u>3,450</u>	<u>(20,943)</u>	<u>(226)</u>	<u>(1,238)</u>	<u>(18,957)</u>



Unit : Thousand Baht

As at December 31, 2015

	Balance as at January 1, 2015	Recognized in Profit (loss)	Recognized in other comprehensive income	Balance as at December 31, 2015
Deferred tax assets				
Allowance for doubtful account	394	191	-	585
Allowance for devaluation of inventories	1,187	135	-	1,322
Allowance for impairment of investment	2	-	-	2
Employee benefit obligations	988	96	608	1,692
Total	<u>2,571</u>	<u>422</u>	<u>608</u>	<u>3,601</u>
Deferred tax liabilities				
Unbilled receivables	(994)	994	-	-
Depreciation of equipment	(98)	(53)	-	(151)
Total	<u>(1,092)</u>	<u>941</u>	<u>-</u>	<u>(151)</u>
Total	<u>1,479</u>	<u>1,363</u>	<u>608</u>	<u>3,450</u>

17. TRADE AND OTHER PAYABLES

Trade and other payables as at December 31, 2016 and 2015 consisted of :

Unit : Thousand Baht

	2016	2015 (Restated)
Trade payables		
Trade payables - other companies	104,401	69,667
Other payables		
Other payables - other companies	7,640	740
Accrued expenses	43,800	15,749
Others	15,610	9,146
Total	<u>67,050</u>	<u>25,635</u>
Trade and other payables	<u>171,451</u>	<u>95,302</u>

18. EMPLOYEE BENEFIT OBLIGATIONS

Movements of the present value of employee benefit obligations for the years ended December 31, 2016 and 2015 were as follows :

Unit : Thousand Baht

	2016	2015
Employee benefit obligations as at January 1,	9,841	6,394
Benefit paid by plan acquired through business combination	9,593	-
Include in profit or loss :		
Current service cost	784	469
Interest cost	416	280
Transfer employees	(535)	(344)
Include in other comprehensive income :		
Actuarial loss		
Demographic assumptions changes	662	852
Financial assumptions changes	688	1,027
Experience adjustments	(7,539)	1,163
Employee benefit obligations as at December 31,	<u>13,910</u>	<u>9,841</u>

As at December 31, 2016 and 2015, the weighted average duration for post-employment benefits payment are 18 years and 22 years, respectively.

The result of change for significant assumptions that affect the present value of employee benefit obligations as at December 31, 2016 and 2015 are summarized below :

	2016	2015
Discount rate - increase by 0.5%	(11,086)	(7,597)
Discount rate - decrease by 0.5%	12,305	8,729
Future salary - increase by 0.5%	12,284	8,711
Future salary - decrease by 0.5%	(11,100)	(7,607)
Turnover rate - increase by 0.5%	(11,032)	(7,561)
Turnover rate - decrease by 0.5%	12,112	8,355

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the Projected Unit Credit Method at the end of the report period, which is the same as that applied in calculating the post-employment benefit obligations liability recognized in the statement of financial position.

Employee benefit obligations in the statements of financial position as at December 31, 2016 and 2015 consisted of :

	Unit : Thousand Baht	
	2016	2015
Post - employment benefit plan		
Present value of obligations	13,910	9,841
Employee benefit obligations - recognized in statement of financial position	<u>13,910</u>	<u>9,841</u>

The Company made defined benefit plan in accordance with severance payment as the labor law which entitled retired employee within work service period in various rates, such as more than 10 years to receive severance payment not less than 300 days or 10 months of the last month salary.

The principal assumptions used in determining provision for retirement benefit on an actuarial basis as at December 31, 2016 and 2015 (expressed as weighted averages) are shown below :

	Percentage	
	2016	2015
Discount rate	3.50	3.78
Salary increase rate	6.57	6.30
Turnover rate	0 - 24	0 - 24
Mortality rate	Thai Mortality Ordinary Table 2008	

Significant actuarial assumptions for the determination of the defined benefit obligation are discount rate, expected salary increase rate and turnover rate. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumption occurring at the end of the reporting period, while holding all other assumptions constant.



19. THE EMPLOYEE JOINT INVESTMENT PROGRAM (EJIP)

On May 22, 2015, the Securities and Exchange Commission approved the Employee Joint Investment Program (EJIP). The details of the program are as follows ;

The period of EJIP	May 1, 2015 to April 30, 2020, with a total duration of 5 years.
Eligible employees under EJIP	The employees has over one year working experience or employees at director on the voluntary basis.
EJIP arrangement	The Company will make deduction from the payroll of eligible employees who voluntarily join the EJIP, at the rate 5% of each month and director at the rate 5-25% of each month. The Company will contribute 100% of the amount contributed by EJIP participants on a monthly basis.
EJIP buying schedule	Monthly basis.
Conditions for holding the securities	During the 1 st year - 2 st year, cannot sell any shares After the 2 nd year, can sell 25% of accumulated shares After the 3 rd year, can sell 50% of accumulated shares After the 4 th year, can sell 75% of accumulated shares After the 5 th year, can sell all shares
EJIP program manager	Philip Securities (Thailand) Public Company Limited

During the years 2016 and 2015, the Company contributed Baht 2.20 million and Baht 1.36 million, respectively, to the program.

20. SHARE CAPITAL

On November 1, 2016, the Company's Extraordinary Shareholder's Meeting No. 1/2016 passed resolutions as follows :

1. Purchase and acceptance of the Entire Business Transfer of Chillmatch Co., Ltd. and its subsidiary. The process is consisted of 2 steps as follows;
 - 1.1 To acquire Chillmatch Co., Ltd.'s entire business which includes investment in QIIS Co., Ltd. The entire business value is Baht 614,390,000 and the Company will issue its new 234,500,000 ordinary shares with par value of Baht 0.50 per share, at the offering price of Baht 2.62 per share, total value of Baht 614,390,000. On the same day of the entire business transfer, Chillmatch Co., Ltd. will proceed with dissolution and liquidation on November 29, 2016 and return the remaining assets (including 234,500,000 newly issued ordinary shares of the Company) to its existing shareholders under the liquidation process.



- 1.2 After the purchase and acceptance of the entire business transfer of Chillmatch Co., Ltd., the Company will become a shareholder of QIIS Co., Ltd., holding 99.99 percent of QIIS's registered capital. After the dissolution of Chillmatch Co., Ltd., QIIS Co., Ltd. will transfer its entire business to the Company and proceed with dissolution on December 1, 2016 and liquidation process.
2. Increase of the registered capital of the Company by Baht 117,250,000, from Baht 175,000,000 to be Baht 292,250,000 by issuing newly 234,500,000 ordinary shares with the par value of Baht 0.50 per share.
3. The offering of the newly issued 234,500,000 ordinary shares of the Company to Chillmatch Co., Ltd., which is private placement, with the par value of Baht 0.50 per share at the offering price of Baht 2.62 per shares business in exchange of the entire business transfer (see Note 4).

Referring to the Entire Business Transfer Contract of Chillmatch Co., Ltd. and its subsidiary, the consideration transfer consist of 234,500,000 ordinary shares at the offering price of Baht 2.62 per share in total amount of Baht 614,390,000. The consideration transfer was also approved by the Extraordinary Shareholder's Meeting No. 1/2559 dated November 1, 2016. However, Thai Financial Reporting Standard No.3 "Business Combination" has set rules to value the consideration transfer at fair value at the execution date. The Company registered and issued the ordinary shares to the shareholders of Chillmatch Co., Ltd. on November 29, 2016 and the closing market price of the Company's stock in the Stock Exchange of Thailand was Baht 2.88 per share. (See Note 4). Thus, the valuation of the consideration transfer changed to 675,360,000 Baht.

The Company registered the increased capital with the Department of Business Development, Ministry of Commerce on November 2, 2016 and the Company fully paid for such capital increase on November 29, 2016.

21. PREMIUM ON ORDINARY SHARES

According to the Public Companies Act B.E. 2535, under the provision of section 51, the Company is required to set aside share subscription received in excess of the par value of the shares issued to a reserve account (premium on ordinary shares). The premium on ordinary shares is not available for dividend distribution.

22. LEGAL RESERVE

According to the Public Companies Act B.E. 2535, under provision of section 115, the Company is required to set aside a statutory reserve of at least 5 percent of its net profit after deducting accumulated deficit brought forward (if any) until the reserve reaches 10 percent of the registered share capital. The statutory reserve could not be used for dividend payment.

23. DIVIDEND PAID

On April 29, 2016, the Annual General Meeting of Shareholders passed a resolution to pay dividend from operations of year 2015 of 350,000,000 shares at the rate of Baht 0.10 per share, in the total amount of Baht 35 million.

On April 24, 2015, the Annual General Meeting of Shareholders passed a resolution to pay dividend from operations of year 2014 of 350,000,000 shares at the rate of Baht 0.15 per share, in the total amount of Baht 52.50 million.

24. PROVIDENT FUND

The Company and its employees jointly registered a provident fund scheme under the Provident Fund Act B.E. 2530. The Fund is contributed to by both the employees and the Company. The Fund is managed by UOB Asset Management (Thailand) Company Limited. This Fund is registered under the conditions of Ministry of Finance and the Fund is managed by the approved fund manager.

For the years ended December 31, 2016 and 2015, the Company paid contributions to provident fund and recognized as expenses amounting to Baht 1.88 million and Baht 1.64 million, respectively.

25. OPERATING SEGMENT

Segment information is presented in respect of the business segments. The primary format in segment information report is based on the management and internal reporting structure.

The accounting policies of the operating segments are the same as those described in Note 3.

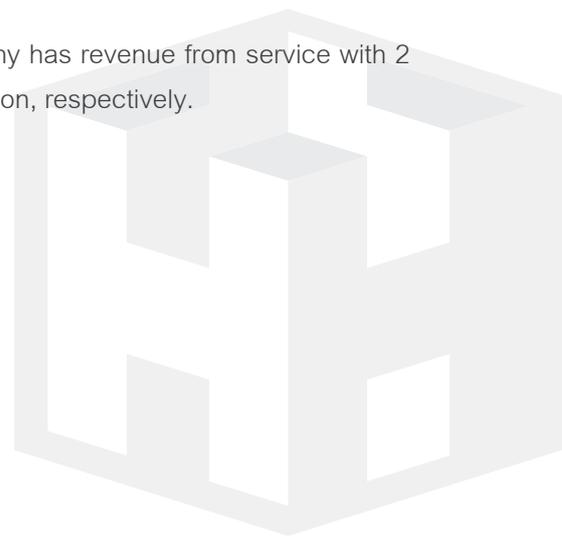
The Company comprises the following main business segments :

- Segment 1 Fire Protection Products and Project
- Segment 2 Sanitary and Air - Conditioning System
- Segment 3 Cold Storage Devices
- Segment 4 Digital Printing System

During the years ended December 31, 2016 and 2015, there was no revenue from sales with a single external customers contributed 10% or more to the total revenue.

The Company has revenues from service with external customers over 10% of total revenue from service.

During the years ended December 31, 2016 and 2015, the Company has revenue from service with 2 major customers in amount of Baht 21.13 million and Baht 18.73 million, respectively.



Operating segment by business in the financial statements for the years ended December 31, 2016 and 2015 were as follows:

Unit : Thousand Baht

	2016					2015						
	Segment 1	Segment 2	Segment 3	Segment 4	Elimination of intersegment	Total	Segment 1	Segment 2	Segment 3	Segment 4	Elimination of intersegment	Total
Financial statements												
Revenue from sale of goods	474,798	48,531	23,955	24,185	-	571,469	431,826	41,580	-	-	-	473,406
Revenue from rendering of services	71,288	-	14	2,746	-	74,048	94,125	-	-	-	-	94,125
Cost of sale of goods	(357,067)	(34,174)	(16,369)	(14,833)	-	(422,443)	(318,376)	(29,106)	-	-	-	(347,482)
Cost of rendering of services	(62,798)	-	(132)	(2,239)	-	(65,169)	(78,308)	-	-	-	-	(78,308)
Gross profit	126,221	14,357	7,468	9,859	-	157,905	129,267	12,474	-	-	-	141,741
Other income	-	-	-	-	-	17,206	-	-	-	-	-	15,416
Selling expenses	-	-	-	-	-	(36,618)	-	-	-	-	-	(34,391)
Administrative expenses	-	-	-	-	-	(87,749)	-	-	-	-	-	(66,154)
Finance cost	-	-	-	-	-	(21)	-	-	-	-	-	-
Profit before income tax expense	-	-	-	-	-	50,723	-	-	-	-	-	56,612
Income tax expense	-	-	-	-	-	(10,192)	-	-	-	-	-	(10,410)
Profit for the years	-	-	-	-	-	40,531	-	-	-	-	-	46,202
Other comprehensive income (loss)	-	-	-	-	-	4,951	-	-	-	-	-	(2,433)
Total comprehensive income for the years	-	-	-	-	-	45,482	-	-	-	-	-	43,769

For the year ended December 31,

Unit : Thousand Baht

	Financial statements							Total	Elimination of intersegment	Total	
	2016			2015							
	Segment 1	Segment 2	Segment 3	Segment 4	Elimination of intersegment	Segment 1	Segment 2	Segment 3	Segment 4	Elimination of intersegment	Total
As at December 31,											
Assets for reportable segments											
Trade receivables - other companies	114,378	10,165	77,506	57,283	-	-	-	-	-	-	113,408
Inventories	128,967	8,661	55,110	44,828	-	-	-	-	-	-	114,315
Customer relationship	-	-	74,391	28,592	-	-	-	-	-	-	-
Goodwill	-	-	200,066	134,606	-	-	-	-	-	-	-
Assets under common use											
• Equipment	-	-	-	-	-	-	-	-	-	-	16,222
• Intangible assets	-	-	-	-	-	-	-	-	-	-	6,715
• Others	-	-	-	-	-	-	-	-	-	-	318,346
Total assets for reportable segments	243,345	18,826	407,073	265,309	-	-	-	-	-	-	569,006
Total liabilities for reportable segments	-	-	-	-	-	-	-	-	-	-	117,209



26. EXPENSES BY NATURE

The financial statements include an analysis of expenses by function. Expenses by nature for the years ended December 31, 2016 and 2015 were as follows :

Unit : Thousand Baht

	2016	2015
Purchases of finished goods	610,134	395,731
Other changes in finished goods	(113,522)	(13,469)
Employee benefit expenses	81,911	68,663
Office rental and service expenses	6,464	6,016
Others	26,992	69,394
	<u>611,979</u>	<u>526,335</u>

27. INCOME TAX EXPENSE

Income tax expenses recognized in statements of profit or loss and other comprehensive income for the years ended December 31, 2016 and 2015 were as follows :

Unit : Thousand Baht

	Note	2016	2015
Current income tax expense			
Current year		9,966	11,773
Deferred tax			
Movements in temporary differences	16	226	(1,363)
Total income tax expense		<u>10,192</u>	<u>10,410</u>

Reconciliation of effective tax rate

Unit : Thousand Baht

	2016		2015	
	Rate (%)	Amount	Rate (%)	Amount
Profit for the year		39,293		46,811
Income tax expense		11,430		9,801
Accounting profit before income tax expense		<u>50,723</u>		<u>56,612</u>
Income tax using applicable tax rate	20	10,145	20	11,323
Tax effect of non-deductible expense (benefit)				
• Expenses not deductible for tax purposes		84		549
• Addition expenses deductible for tax purpose		(263)		(99)
Movement in temporary difference		226		(1,363)
Income tax expense		<u>10,192</u>		<u>10,410</u>

According to the Royal Decree No. 577 B.E. 2557 issued under the Revenue Code regarding the corporate income tax rate reduction effective on November 3, 2014, the corporate income tax rates were 20% of net profit for accounting period beginning on or after January 1, 2015 but not later than December 31, 2015.

According to the Revenue Code Amendment Act (No. 42) B.E. 2559 which is effective on March 5, 2016, the corporate income tax is reduced from 30% to 20% of net taxable profit for the accounting period which begins on or after January 1, 2016 onwards.

The Company used a tax rate of 20% for calculation the corporate income tax and deferred taxes for the years ended December 31, 2016 and 2015 in order to comply with such change.

28. BASIC EARNINGS PER SHARE

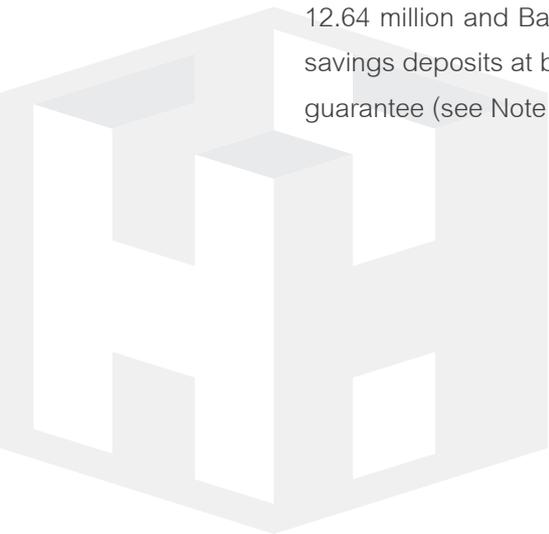
The calculations of basic earnings per share for the years ended December 31, 2016 and 2015 were based on the profit for the years attributable to ordinary shareholders of the Company and the number of weighted ordinary shares outstanding during the years held by shareholders as follows :

	Unit : Thousand Baht	
	2016	2015
Profit for the year	40,531	46,202
Number of ordinary shares as at January 1	350,000,000	350,000,000
Effect of shares issuance during year	21,201,370	-
Weighted average number of outstanding ordinary shares for the year (shares)	<u>371,201,370</u>	<u>350,000,000</u>
Basic earnings per share (Baht/share)	0.11	0.13

29. COMMITMENTS AND CONTINGENT LIABILITIES

As at December 31, 2016 and 2015, the Company had commitments and contingent liabilities as follows:

- 29.1 As at December 31, 2016 and December 31, 2015, the Company has letters of guarantee issued by banks for goods and work under system installation service agreement in the amount of Baht 12.64 million and Baht 17.87 million, respectively. As at December 31, 2015, the Company has savings deposits at bank of Baht 1.28 million, pledged as collateral with a bank for such letters of guarantee (see Note 11). (2016 : Nil)



29.2 The credit facilities with financial institutions as at December 31, 2016 and 2015 consisted of :

Unit : Thousand Baht

Type of credit	Facilities (Million Baht)		Referred interest rate (% per annum)	
	2016	2015	2016	2015
Bank overdrafts	17.00	9.00	MOR	MOR
			Fixed deposit	Fixed deposit
Letter of credit/trust receipt	231.00	57.00	MLR-1,MMR	MLR-1,MMR
Letter of guarantee	30.00	14.00	2%	2%
Forward exchange contracts	363.39	60.39		
Promissory notes	15.00	5.00	MLR	MLR
Up country check purchase	3.00	-		
Total	659.39	145.39		
Forward foreign exchange contracts (Million US dollars)	3.00	0.30		

29.3 Minimum lease and service payments as at December 31, 2016 and 2015 are as follows :

Unit : Thousand Baht

Payment periods	2016	2015
Due not later than 1 year	12.83	5.55
Due later than 1 year but not later than 5 years	22.03	0.54

Rental and service expenses for the years ended December 31, 2016 and 2015 are Baht 6.36 million and Baht 6.02 million, respectively.

30. FAIR VALUE MEASUREMENT

The Company uses the market approach to measure its assets and liabilities that are required to be measured at fair value by relevant TFRS, except that the cost approach or income approach is used when there is no active market or when a quoted market price is not available.

Fair value hierarchy

In applying the above-mentioned valuation techniques, the Company endeavors to use relevant observable inputs as much as possible. TFRS 13 Fair Value Measurement establishes a fair value hierarchy categorizing such inputs into three levels as follows :



Level 1 - Use of quoted market prices in an observable active market for such assets or liabilities

Level 2 - Use of other observable inputs for such assets or liabilities, whether directly or indirectly

Level 3 - Use of unobservable inputs such as estimates of future cash flows.

As at December 31, 2016 and 2015, the Company had the following financial assets and liabilities that were measured at fair value on which the fair value hierarchy is classified as follows :

As at December 31, 2016

Unit : Thousand Baht

	Level 1	Level 2	Level 3	Total
Financial assets (liabilities) measured at fair value				
Investments in investment units	-	231,856	-	231,856
Investments in equity securities	33,329	-	-	33,329
Foreign currency forward contracts	-	(168)	-	(168)

As at December 31, 2015

Unit : Thousand Baht

	Level 1	Level 2	Level 3	Total
Financial assets (liabilities) measured at fair value				
Investments in investment units	-	227,237	-	227,237
Investments in equity securities	29,448	-	-	29,448
Foreign currency forward contracts	-	47	-	47

Fair valuation techniques and inputs to Level 2 fair valuation

The fair value of investments in investment units that are not listed on the Stock Exchange of Thailand is determined by using the net asset value per unit as announced by the fund managers.

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, forward rate of the respective currencies, and interest rate yield curves.

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



A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. The fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Certain financial assets and financial liabilities is measured at fair value

The following table gives information about how the fair values of these financial assets and financial liabilities are measured at fair value on fair value hierarchy as at December 31, 2016 and 2015.

Financial assets and financial liabilities	Fair value as at December 31,		Fair value Hierarchy	Valuation techniques and key inputs for fair value measurement
	2016	2015		
Financial assets				
1. Foreign currency forward contracts	-	46,808	Level 2	Discounted cash flow The estimated future cash flows is from foreign currency exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.
Financial liabilities				
1. Foreign currency forward contracts	168,223	-	Level 2	Discounted cash flow The estimated future cash flows is from foreign currency exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

These financial assets and financial liabilities are presented as a part of other current assets and other current liabilities in the statement of financial position.

Valuation technique for financial instruments not measured at fair value of the Company are as follows :

Cash and cash equivalents, trade and other receivables, current portion of financial lease receivable had carrying values approximate their fair values due to the relatively short-term maturity of these financial instruments.



General investment had not significantly different from the carrying values stated in the reporting date.

Trade and other payables, short-term provisions and other current liabilities - the carrying amounts stated in the reporting date of these financial liabilities approximate their fair values because of the short-term period to maturity of these financial instruments.

31. FINANCIAL INSTRUMENTS

Financial risk management policies

The Company is exposed to normal business risks from changes in interest rates and currency exchange rates and from non-performance of contractual obligations by counterparties. The Company does not hold or use derivative financial instruments for speculative or trading purposes.

Risk management is integral to the whole business of the Company. The Company has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. The management continually monitors the Company's risk management process to ensure that an appropriate balance between risk and control is achieved.

Capital management

The Board of Directors' policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board monitors the return on capital, which the Company defines as result from operating activities divided by total shareholders' equity, and also monitors the level of dividends to ordinary shareholders.

Foreign currency risk

The Company is exposed to foreign currency risk relating to purchases which are denominated in foreign currencies. The Company primarily utilizes forward foreign exchange contracts with maturities of less than one year to hedge such financial assets and liabilities denominated in foreign currencies. The forward foreign exchange contracts entered into at the reporting date also relate to anticipated purchases, denominated in foreign currencies, for the subsequent period.



As at December 31, 2016 and 2015, the Company has financial liabilities in foreign currencies as follows ;

Unit : Thousand Baht

	Amount	
	2016	2015
<i>Not hedged</i>		
US dollar	788,508	754,498
SG dollar	161	99,115
EURO	-	15,093
GBP	43,278	-

Credit risk

Credit risk is the potential financial loss resulting from the failure of a customer or a counterparty to settle its financial and contractual obligations to the Company as and when they fall due.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. At the reporting date, there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position. However, due to the large number of parties comprising the Company's customer base, management does not anticipate material losses from its debt collection.

Liquidity risk

The Company monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Company's operations and to mitigate the effects of fluctuations in cash flows.

32. RECLASSIFICATIONS

Certain reclassifications have been made in the statement of financial position as at December 31, 2015, and statement of profit or loss and other comprehensive income for the year ended December 31, 2015 to conform to the classifications used in the financial statements for the year ended December 31, 2016 as follows :



Items	Amount (Thousand Baht)	Previous presentation	Current presentation
Advance - travelling and others	27	Other current assets	Trade and other receivables
Prepaid insurance and other prepaid expenses	4,633	Other current assets	Trade and other receivables
Accrued - social security	172	Trade and other payables	Other current liabilities
Advance received for goods and services	24	Other current liabilities	Trade and other payables
Advance received from project work	6,877	Other current liabilities	Trade and other payables
Transportation revenue	7	Revenue from sale of goods and rendering of services	Other income

33. EVENT AFTER THE REPORTING PERIOD

On February 24, 2017, the Company's Board of Directors No. 1/2017 passed the resolution to declare dividend at Baht 0.09 per share for 584,500,000 issued and paid up ordinary shares, in total amount of Baht 52,605,000. The dividend declaration will be proposed to the next Annual General Shareholders' Meeting for approval.

34. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements have been approved for issue by the Company's Board of Directors on February 24, 2017.





ค่านิยมองค์กร

P ความรับผิดชอบอย่างมืออาชีพ
Professional Responsibility

O มีความรัก ผูกพัน และเป็นเจ้าขององค์กร
Ownership

S การพัฒนาอย่างยั่งยืน
Sustainable Development

i ความซื่อสัตย์และยึดมั่นในความถูกต้องและเป็นธรรม
Integrity

T ความร่วมมือทำงานเป็นทีม
Teamwork

i ความคิดริเริ่มสร้างสรรค์
Innovation

V การสร้างคุณค่า
Value Creation

E การมุ่งมั่นสู่ความเป็นเลิศ
Excellence





บริษัท หาญ เอ็นจิเนียริ่ง โซลูชั่นส์ จำกัด (มหาชน)

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