

HARN ENGINEERING SOLUTIONS PUBLIC COMPANY LIMITED

**REVIEW REPORT AND INTERIM FINANCIAL INFORMATION
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2019**

INDEPENDENT AUDITOR’S REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

To The Shareholders and Board of Directors of
Harn Engineering Solutions Public Company Limited

I have reviewed the accompanying statement of financial position of Harn Engineering Solutions Public Company Limited as at March 31, 2019 and the related statement of comprehensive income, changes in shareholders’ and cash flows for the three-month period then ended and the condensed notes to the financial statements. Management is responsible for the preparation and presentation of this interim financial information in accordance with Thai Accounting Standards No. 34 “Interim Financial Reporting”. My responsibility is to express a conclusion on this interim financial information based on my review.

SCOPE OF REVIEW

I conducted my review in accordance with Thai Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity.” A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Thai Standards on Auditing and consequently does not enable me to obtain assurance that I would become aware of all significant matters that might be identified in an audit. Accordingly, I do not express an audit opinion.

CONCLUSION

Based on my review, nothing has come to my attention that causes me to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with Thai Accounting Standard No. 34 “Interim Financial Reporting”.

(Mr. Thanawut Piboonsawat)
Certified Public Accountant
Registration No. 6699

Dharmniti Auditing Company Limited
Bangkok, Thailand
May 14, 2019

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HARN ENGINEERING SOLUTIONS PUBLIC COMPANY LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2019

		Baht	
		As at March	As at December
	Note	31, 2019	31, 2018
CURRENT ASSETS			
Cash and cash equivalents		19,652,105	29,310,563
Temporary investments	5	202,390,711	167,434,994
Trade and other receivables	6	268,813,997	284,531,945
Current portion of finance lease receivables	7	11,179,174	11,793,435
Unbilled receivables		11,377,280	11,421,369
Inventories	8	321,173,183	304,439,304
Other current assets		894,365	478,604
TOTAL CURRENT ASSETS		835,480,815	809,410,214
NON-CURRENT ASSETS			
General investment		241,845	241,845
Long-term finance lease receivables	7	19,037,991	21,128,666
Investment property	9	231,361,864	231,818,176
Property and equipment	10	32,264,919	32,680,745
Goodwill	11	334,672,061	334,672,061
Customer relationship	12	69,506,665	73,180,908
Intangible assets	13	22,901,403	23,979,343
Other non-current assets		22,444,161	21,474,503
TOTAL NON-CURRENT ASSETS		732,430,909	739,176,247
TOTAL ASSETS		1,567,911,724	1,548,586,461

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

HARN ENGINEERING SOLUTIONS PUBLIC COMPANY LIMITED
STATEMENT OF FINANCIAL POSITION (CONT.)
AS AT MARCH 31, 2019

LIABILITIES AND SHAREHOLDERS' EQUITY

		Baht	
		As at March	As at December
		31, 2019	31, 2018
	Note	<u> </u>	<u> </u>
CURRENT LIABILITIES			
Trade and other payables	14	189,265,331	210,181,058
Income tax payable		24,593,658	16,064,280
Short-term provisions		566,696	384,041
Other current liabilities		6,438,398	6,271,500
TOTAL CURRENT LIABILITIES		<u>220,864,083</u>	<u>232,900,879</u>
NON-CURRENT LIABILITIES			
Deferred tax liabilities		8,084,521	9,744,962
Employee's benefit obligations	15	16,566,378	16,670,899
Other non-current liabilities		22,993,931	22,064,273
TOTAL NON-CURRENT LIABILITIES		<u>47,644,830</u>	<u>48,480,134</u>
TOTAL LIABILITIES		<u>268,508,913</u>	<u>281,381,013</u>

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HARN ENGINEERING SOLUTIONS PUBLIC COMPANY LIMITED

STATEMENT OF FINANCIAL POSITION (CONT.)

AS AT MARCH 31, 2019

LIABILITIES AND SHAREHOLDERS' EQUITY (CONT.)

	Baht	
	As at March	As at December
Note	31, 2019	31, 2018
SHAREHOLDERS' EQUITY		
Share capital		
Authorized share capital		
584,500,000 ordinary shares of Baht 0.50 each	292,250,000	292,250,000
Issued and paid-up share capital		
584,500,000 ordinary shares of Baht 0.50 each	292,250,000	292,250,000
Premium on ordinary shares	776,416,427	776,416,427
Retained earnings		
Appropriated		
Legal reserve	27,068,831	27,068,831
Unappropriated	203,667,553	171,470,190
TOTAL SHAREHOLDERS' EQUITY	1,299,402,811	1,267,205,448
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	1,567,911,724	1,548,586,461

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HARN ENGINEERING SOLUTIONS PUBLIC COMPANY LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2019

		Baht	
	Note	2019	2018
Revenues			
Revenues from sales		303,969,932	280,903,798
Revenue from rendering of services		26,354,710	29,754,946
Other income		8,409,260	3,701,327
Total revenues		<u>338,733,902</u>	<u>314,360,071</u>
Expenses			
Cost of sales		208,583,404	190,650,250
Cost of rendering of services		27,489,762	27,127,396
Selling expenses		27,281,085	27,196,720
Administrative expenses		35,282,826	33,758,049
Finance costs		-	341
Total expenses		<u>298,637,077</u>	<u>278,732,756</u>
Profit before income tax expenses		40,096,825	35,627,315
Income tax expenses		7,899,462	7,020,859
Profit for the period		<u>32,197,363</u>	<u>28,606,456</u>
Other comprehensive income for the period		-	-
Total comprehensive income for the period		<u><u>32,197,363</u></u>	<u><u>28,606,456</u></u>
Earnings per share	17		
Basic earnings per share (Baht per share)		<u>0.06</u>	<u>0.05</u>
Weighted average number of ordinary shares (shares)		<u>584,500,000</u>	<u>584,500,000</u>

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HARN ENGINEERING SOLUTIONS PUBLIC COMPANY LIMITED

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2019

	Baht				Total shareholders' equity
	Issued and paid-up share capital	Premium on ordinary shares	Retained earnings		
			Appropriated legal reserve	Unappropriated	
Beginning balance as at January 1, 2018	292,250,000	776,416,427	20,350,894	125,659,317	1,214,676,638
Total comprehensive income for the period	-	-	-	28,606,456	28,606,456
Ending balance as at March 31, 2018	<u>292,250,000</u>	<u>776,416,427</u>	<u>20,350,894</u>	<u>154,265,773</u>	<u>1,243,283,094</u>
Beginning balance as at January 1, 2019	292,250,000	776,416,427	27,068,831	171,470,190	1,267,205,448
Total comprehensive income for the period	-	-	-	32,197,363	32,197,363
Ending balance as at March 31, 2019	<u>292,250,000</u>	<u>776,416,427</u>	<u>27,068,831</u>	<u>203,667,553</u>	<u>1,299,402,811</u>

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

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HARN ENGINEERING SOLUTIONS PUBLIC COMPANY LIMITED
STATEMENT OF CASH FLOWS
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2019

	Baht	
	2019	2018
Cash flows from operating activities		
Profit for the period	32,197,363	28,606,456
Adjustment to reconcile profit (loss) for the period to net cash provided by (used in) operating activities :		
Allowance for doubtful account (reversal)	913,732	948,687
Depreciation and amortization	4,271,818	4,002,670
Amortization of customer relationship	3,674,243	3,674,242
Loss on devaluation of inventories	1,704,741	1,837,647
(Gain) loss on disposals of fixed assets	70,845	282,972
Unrealized (gain) loss on exchange rate	177,812	477,217
(Gain) loss on disposals of investment	(44,156)	(52,449)
Unrealized (gain) loss on revaluation of temporary investments	(911,561)	(793,641)
Interest income	(3,346)	(2,799)
Employee's benefit expenses	530,769	443,226
Finance costs	-	341
Income tax expense	7,899,462	7,020,859
Profit from operating before changes in operating assets and liabilities	50,481,722	46,445,428
(Increase) decrease in operating assets		
Trade and other receivables	14,803,068	(10,579,299)
Finance lease receivables	2,704,937	2,690,119
Unbilled receivables	44,089	4,337,059
Inventories	(21,301,618)	23,624,963
Other current assets	(415,761)	(1,412,411)
Other non-current assets	(969,658)	(1,042,897)
Increase (decrease) in operating liabilities		
Trade and other payables	(20,770,220)	841,922
Short-term provisions	182,655	50,860
Other current liabilities	166,898	867,757
Employee's benefit obligations	(635,290)	-
Other non-current liabilities	929,658	1,094,536
Cash received (paid) from operating	25,220,480	66,918,037
Finance costs	-	(341)
Income tax paid	(1,030,525)	(1,344,838)
Net cash provided by (used in) operating activities	24,189,955	65,572,858

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

HARN ENGINEERING SOLUTIONS PUBLIC COMPANY LIMITED
STATEMENT OF CASH FLOWS (CONT.)
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2019

	Baht	
	2019	2018
Cash flows from investing activities		
Cash payments for purchase of temporary investments	(54,000,000)	(123,000,000)
Cash receipts from redemption of temporary investments	20,000,000	45,000,000
Cash payments for purchases of property and equipment	(488,880)	(1,021,549)
Cash receipts from disposal of equipment	741,121	1,492,031
Cash payments for purchase of intangible assets	(104,000)	(3,588,076)
Interest received	3,346	2,799
Net cash provided by (used in) investing activities	(33,848,413)	(81,114,795)
Cash flows from financing activities		
Net cash provided by (used in) financing activities	-	-
Net increase (decrease) in cash and cash equivalents	(9,658,458)	(15,541,937)
Cash and cash equivalents at beginning of period	29,310,563	41,955,998
Cash and cash equivalents at end of period	19,652,105	26,414,061
Supplementaly disclosures of cash flows information :		
Non-Cash transaction		
Liabilities incurred from acquisition of fixed assets and intangible assets - beginning of period	426,371	4,045,277
Inventories transferred to fixed asset	(2,862,998)	(1,032,805)
<u>Add</u> Purchases of fixed assets and intangible assets	3,133,707	1,907,942
<u>Less</u> Cash payments	(592,880)	(4,609,625)
Liabilities incurred from acquisition of fixed assets and intangible assets - ending of period	104,200	310,789

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

HARN ENGINEERING SOLUTIONS PUBLIC COMPANY LIMITED

NOTES TO THE INTERIM FINANCIAL STATEMENTS

MARCH 31, 2019

1. GENERAL INFORMATION

(a) Legal status and address

The Company was registered to be a limited company on May 9, 2001.

The Company has changed its status to be public company limited for trading their shares on the Stock Exchange of Thailand on May 22, 2014.

The addresses of its registered head office are as follows:

Locate at : 19/20-22 Soi Soonvijai, Rama 9 Road, Bangkapi, Huaykwang, Bangkok 10310, Thailand.

(b) Nature of the Company's operations

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.

2. BASIS FOR THE PREPARATION OF FINANCIAL STATEMENTS

2.1 Basis for the preparation of interim financial statements

These interim financial statements are prepared in accordance with Thai Accounting Standard No. 34 (revised 2018) Interim Financial Reporting, and the requirements of the Securities and Exchange Commission (SEC). The interim financial statements are intended to provide information additional to that included in the latest annual financial statements. Accordingly, they focus on new activities, events, and situations and not intended to re-emphasis on the information previously reported. The interim financial statements should therefore, be read in conjunction with the financial statements for the year ended December 31, 2018.

The interim financial statements have been prepared on a historical cost basis except where otherwise disclosed in the accounting policies.

The interim financial statements in Thai language are the official statutory financial statements of the Company. The interim financial statements in English language have been translated from the financial statements in Thai language version.

2.2 Thai Financial Reporting Standards that become effective in the current year

During the period, the Company has adopted the revised and new financial reporting standards and interpretations (revised 2018) including new accounting treatment guidance, which is effective for fiscal years beginning on or after January 1, 2019. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes and clarifications directed towards disclosures in the notes to financial statements. The adoption of these financial reporting standards does not have any significant impact on the Companies' financial statements. However, the new standard involves changes to key principles, as summarized below.

TFRS 15 Revenue from Contracts with Customers

TFRS 15 supersedes TAS 11 Construction Contracts and TAS 18 Revenue, together with related Interpretations. Entities are to apply this standard to all contracts with customers unless those contracts fall within the scope of other standards. The standard establishes a five-step model to account for revenue arising from contracts with customers, with revenue being recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model.

2.3 Financial reporting standards that will become effective in the future

During the period, the Federation of Accounting Professions issued the financial reporting standard and accounting guidance for financial instruments, which is effective for fiscal years beginning on or after January 1, 2020. Key principles of these standards are summarized below.

The accounting guidance for financial instruments and Presentation for Insurance business

Accounting practice was adjusted to have close content with TFRS 9 by dividing into 4 parts as follows:

1. The recognition of transaction and valuation of financial instrument which is developed closely to the accounting standards No.105 (revised 2016) regarding accounting for investment in debt securities and equity securities and financial reporting standards No.9 financial instrument.
2. Impairment of financial asset which has content close to the financial reporting standard No.9 re: financial instruments
3. Accounting to prevent risk with content close to the financial reporting standard No.9 regarding financial instrument.
4. Information disclosure of financial instrument with content similar to the financial reporting standard No.7 disclosure of financial instrument information.

TFRS 16 Leases

As the lease is significant transaction in many business in many industries. It's significant that user of financial statement should receive information on activity of the lease completely and able to compare which the former accounting method for lease agreement under accounting standard No.17 regarding lease agreement require the lessee and lessor to classify lease agreement as financial lease or operating lease and record the account for both lease agreement differently. Such accounting method can't respond to the needs of the financial statement users as the

accounting method does not objectively represent for the lease transaction in every case. For the lessee to recognize assets and liabilities that arise from operating lease which affects the lease agreement to be recognized as asset and liabilities in the statement of financial position. The use of asset and commitment that arises from the lease agreement under the definition of asset and liabilities affect the significant financial ratio to be distorted. New accounting method under the financial reporting standards No.16 lease agreement requires the lessee to recognize the right to use asset as asset in the financial statements and recognize commitment that arises from lease agreement in the financial statements. Such accounting method affects the asset presentation and liabilities of the lessee as objective representation as well as increase the disclosure of information that reflects the financial risk and capital money of the lessee.

At present, the management of the Company is evaluating the impact of this standard to the financial statements in the year when it is adopted.

3. SIGNIFICANT ACCOUNTING POLICIES

The Company prepared the interim financial statements with the same accounting policies used in the preparation of the annual financial statements for the year ended December 31, 2018.

4. 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.

Types of relationship of related parties were as follows:

Company/Person name	Country/ Nationality	Related	Relationship
Harn Engineering Co., Ltd.	Thailand	Related company	Directorships and/or common shareholders
Phraboriban 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
Mrs. Sirima Iamsakulrat	Thai	Related person	Shareholder and close member of the director's family
Key management personnel	Thai	Related person	Authorized person and responsible in management

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Bases of measurement for intercompany revenues and expenses

	<u>Pricing Policy</u>
Purchase of goods	Market price
Purchase and sale of equipment and intangible asset	Contractually agreed prices
Other income	Contractually agreed prices
Rental and service expenses	Contractually agreed prices
Compensation to management	As approved by director and / or shareholder

Significant agreements with related parties

The Company entered into office building rental agreement as follows:

	<u>As at March 31, 2019</u>		
	<u>Lessor</u>	<u>Period</u>	<u>Rate per month (Baht)</u>
Office rental agreement	Mr. Jain Charnnarong	3 year	53,100
	Harn Engineering Co., Ltd.	3 year	498,996
Warehouse rental agreement	Phraboriban Co., Ltd.	3 year	280,900

Balances with the related parties as at March 31, 2019 and December 31, 2018 consisted of:

	<u>Baht</u>	
	<u>As at March 31, 2019</u>	<u>As at December 31, 2018</u>
Trade and other receivables		
Harn Engineering Co., Ltd.	1,921,358	2,336,218

Transactions for the three-month periods ended March 31, 2019 and 2018 with related parties were summarized as follows:

	<u>Baht</u>	
	<u>For the three-month periods ended March 31,</u>	
	<u>2019</u>	<u>2018</u>
Purchase of equipment		
Harn Engineering Co., Ltd.	-	284,673
Office rental and service expenses		
Harn Engineering Co., Ltd.	1,496,988	1,496,988
Mr. Jain Charnnarong	159,300	159,300
	<u>1,656,288</u>	<u>1,656,288</u>

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	Baht	
	For the three-month periods ended	
	March 31,	
	2019	2018
Warehouse rental expenses		
Mrs. Sirima Iamsakulrat	-	842,700
Phraboriban Co., Ltd.	842,700	-
	<u>842,700</u>	<u>842,700</u>
Directors remuneration		
Directors remuneration	1,065,000	1,055,000
Management benefit expenses		
Short-term employee’s benefits	3,081,105	2,976,828
Post-employment benefits	108,490	105,575
	<u>4,254,595</u>	<u>4,137,403</u>

5. TEMPORARY INVESTMENTS

Temporary investments were consisted of:

	Baht		
	As at March 31, 2019		
	Cost value	Unrealized gain (loss) on revaluation of investments	Fair value
Trading securities			
- Investment units	201,370,603	1,020,108	202,390,711
- Investments in listed securities	2,989	-	2,989
<u>Less</u> Allowance for diminution in value of investment	(2,989)	-	(2,989)
Total	<u>201,370,603</u>	<u>1,020,108</u>	<u>202,390,711</u>
	Baht		
	As at December 31, 2018		
	Cost value	Unrealized gain (loss) on revaluation of investments	Fair value
Trading securities			
- Investment units	167,326,447	108,547	167,434,994
- Investments in listed securities	2,989	-	2,989
<u>Less</u> Allowance for diminution in value of investment	(2,989)	-	(2,989)
Total	<u>167,326,447</u>	<u>108,547</u>	<u>167,434,994</u>

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6. TRADE AND OTHER RECEIVABLES

Trade and other receivables were consisted of:

	Baht	
	As at March 31, 2019	As at December 31, 2018
Trade receivable		
Trade receivables - other companies	256,107,932	263,108,696
<u>Less</u> Allowance for doubtful accounts	<u>(6,388,745)</u>	<u>(5,475,013)</u>
Net	<u>249,719,187</u>	<u>257,633,683</u>
Other receivables		
Other receivables - related parties	1,921,358	2,336,218
Other receivables - other companies	383,838	1,157,930
Accrued retentions	10,088,223	9,457,971
Deposit of inventories	487,920	9,595,215
Prepaid expenses	5,435,814	3,677,167
Accrued income	<u>777,657</u>	<u>673,761</u>
Total other receivables	<u>19,094,810</u>	<u>26,898,262</u>
Total trade and other receivables	<u><u>268,813,997</u></u>	<u><u>284,531,945</u></u>

Trade receivables are classified by aging as follows:

	Baht	
	As at March 31, 2019	As at December 31, 2018
Current	178,618,098	171,737,088
Overdue		
Less than 3 months	66,115,656	81,579,532
Over 3 months up to 6 months	7,276,916	5,357,886
Over 6 months up to 12 months	542,824	804,084
Over 12 months	<u>3,554,438</u>	<u>3,630,106</u>
Total	256,107,932	263,108,696
<u>Less</u> Allowance for doubtful account	<u>(6,388,745)</u>	<u>(5,475,013)</u>
Trade receivables, net	<u><u>249,719,187</u></u>	<u><u>257,633,683</u></u>

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7. FINANCE LEASE RECEIVABLES

Finance lease receivables were consisted of:

	Baht	
	As at March 31, 2019	As at December 31, 2018
Finance lease receivables - printing devices	30,217,165	32,922,101
<u>Less</u> Current portion	<u>(11,179,174)</u>	<u>(11,793,435)</u>
Long-term finance lease receivables	<u>19,037,991</u>	<u>21,128,666</u>

The minimum lease payments and present value of minimum lease payments which receivable will be paid under the financial lease agreements as at March 31, 2019 and December 31, 2018, are as follows:

	Baht			
	As at March 31, 2019		As at December 31, 2018	
	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
Collection period				
Within 1 year	15,537,684	11,179,174	16,521,656	11,793,435
Over 1 year but less than 5 years	<u>27,943,692</u>	<u>19,037,991</u>	<u>30,963,874</u>	<u>21,128,666</u>
	43,481,376	30,217,165	47,485,530	32,922,101
<u>Less</u> Deferred interest	<u>(13,264,211)</u>	<u>-</u>	<u>(14,563,429)</u>	<u>-</u>
	<u>30,217,165</u>	<u>30,217,165</u>	<u>32,922,101</u>	<u>32,922,101</u>

8. INVENTORIES

Inventories were consisted of :

	Baht	
	As at March 31, 2019	As at December 31, 2018
Finished goods	278,781,057	261,955,093
Goods in transit	<u>60,234,167</u>	<u>58,621,511</u>
Total	339,015,224	320,576,604
<u>Less</u> Allowance for loss on devaluation of inventories	<u>(17,842,041)</u>	<u>(16,137,300)</u>
Net	<u>321,173,183</u>	<u>304,439,304</u>

Decline in value of inventory recognized as cost of goods sold for the three-month period ended March 31, 2019 was Baht 1.70 million.

9. INVESTMENT PROPERTY

Changes in the investment property for the three-month period ended March 31, 2019 were summarized as follows:

	<u>Baht</u>
<u>Cost</u>	
Balance as at December 31, 2018	231,950,000
Acquisitions during the period	-
Disposals and write-off during the period	-
Balance as at March 31, 2019	<u>231,950,000</u>
<u>Accumulated depreciation</u>	
Balance as at December 31, 2018	(131,824)
Depreciation for the period	(456,312)
Accumulated depreciation on disposals and write-off	-
Balance as at March 31, 2019	<u>(588,136)</u>
<u>Net book value</u>	
Balance as at December 31, 2018	<u>231,818,176</u>
Balance as at March 31, 2019	<u>231,361,864</u>

For the three-month period ended March 31, 2019, the Company had rental income from investment property in the amount of Baht 2.78 million and operating expenses in the amount of Baht 0.54 million which was recognized in the statement of comprehensive income.

10. PROPERTY, AND EQUIPMENT

Changes in the property, and equipment for the three-month period ended March 31, 2019 were summarized as follows:

	<u>Baht</u>
<u>Cost</u>	
Balance as at December 31, 2018	92,959,148
Acquisitions during the period	3,133,707
Disposals and write-off during the period	(1,139,290)
Balance as at March 31, 2019	<u>94,953,565</u>
<u>Accumulated depreciation</u>	
Balance as at December 31, 2018	(60,278,403)
Depreciation for the period	(2,737,566)
Accumulated depreciation on disposals and write-off	327,323
Balance as at March 31, 2019	<u>(62,688,646)</u>
<u>Net book value</u>	
Balance as at December 31, 2018	<u>32,680,745</u>
Balance as at March 31, 2019	<u>32,264,919</u>

As at March 31, 2019 and December 31, 2018, the Company had equipment which were fully depreciated but still in use with the cost price of Baht 30.44 million and Baht 27.69 million, respectively.

11. GOODWILL

On November 29, 2016, two subsidiaries were transferred their entire business into the Company by issuing capital increase shares for Baht 675.36 million to exchange for the identifiable net assets of both companies for Baht 340.69 million, resulting in a goodwill of Baht 334.67 million.

12. CUSTOMER RELATIONSHIP

Changes in customer relationship for the three-month period ended March 31, 2019 were summarized as follows:

	<u>Baht</u>
<u>At cost</u>	
Balance as at December 31, 2018	104,307,663
Acquisitions during the period	-
Disposals and write-off during the period	-
Balance as at March 31, 2019	<u>104,307,663</u>
<u>Accumulated amortization</u>	
Balance as at December 31, 2018	(31,126,755)
Amortization for the period	(3,674,243)
Accumulated amortization on disposals and write-off	-
Balance as at March 31, 2019	<u>(34,800,998)</u>
<u>Net book value</u>	
Balance as at December 31, 2018	<u>73,180,908</u>
Balance as at March 31, 2019	<u>69,506,665</u>

13. INTANGIBLE ASSETS

Changes in intangible assets for the three-month period ended March 31, 2019 were summarized as follows:

	<u>Baht</u>
<u>At cost</u>	
Balance as at December 31, 2018	37,675,664
Acquisitions during the period	-
Disposals and write-off during the period	-
Balance as at March 31, 2019	<u>37,675,664</u>
<u>Accumulated amortization</u>	
Balance as at December 31, 2018	(13,696,321)
Amortization for the period	(1,077,940)
Accumulated amortization on disposals and write-off	-
Balance as at March 31, 2019	<u>(14,774,261)</u>
<u>Net book value</u>	
Balance as at December 31, 2018	<u>23,979,343</u>
Balance as at March 31, 2019	<u>22,901,403</u>

As at March 31, 2019 and December 31, 2018, the Company had intangible assets, which were fully amortized but still in use with the cost price of Baht 1.11 million and Baht 1.05 million, respectively.

14. TRADE AND OTHER PAYABLES

Trade and other payables were consisted of :

	Baht	
	As at March 31, 2019	As at December 31, 2018
Trade payables		
Trade payables - other companies	126,618,664	128,374,706
Other payables		
Other payables	8,010,694	6,363,099
Accrued commission expenses	14,990,071	15,545,412
Accrued bonus	4,910,787	17,851,309
Advance from customers for goods and services	22,977,461	29,354,624
Accrued expenses	7,371,951	7,239,383
Other	4,385,703	5,452,525
Total	<u>62,646,667</u>	<u>81,806,352</u>
Total trade and other payables	<u><u>189,265,331</u></u>	<u><u>210,181,058</u></u>

15. EMPLOYEE’S BENEFIT OBLIGATIONS

On April 5, 2019, the Labour Protection Act has been enacted in the Royal Gazette. The Labour Protection Act includes a requirement that an employee who is terminated after having been employed by the same employer for an uninterrupted period of 20 years or more, receives severance payment of 400 days of wages at the most recent rate, which is increased from the current maximum rate of 300 days. This Act shall come into force after the expiration of thirty days from the enacted date in the Royal Gazette onwards. When the labour law comes into force, the Company will recognize the increase in the employee benefit obligations approximately Baht 3.90 million, resulting in the decrease in profit approximately Baht 3.12 million.

16. 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 Company comprises the following main business segments:

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

Operating segment by business in the statement of comprehensive income for the three-month periods ended March 31, 2019 and 2018 were as follows:

	Thousand Baht									
	For the three-month period ended March 31,									
	2019					2018				
	Segment 1	Segment 2	Segment 3	Segment 4	Total	Segment 1	Segment 2	Segment 3	Segment 4	Total
Revenue from sale of goods	116,014	23,994	72,964	90,998	303,970	110,506	21,891	76,482	72,025	280,904
Revenue from rendering of services	19,183	-	-	7,171	26,354	23,414	-	-	6,340	29,754
Cost of sale of goods	(84,620)	(17,787)	(49,456)	(56,720)	(208,583)	(79,545)	(16,477)	(51,608)	(43,020)	(190,650)
Cost of rendering of services	(19,807)	-	-	(7,683)	(27,490)	(19,929)	-	-	(7,198)	(27,127)
Gross profit	<u>30,770</u>	<u>6,207</u>	<u>23,508</u>	<u>33,766</u>	94,251	<u>34,446</u>	<u>5,414</u>	<u>24,874</u>	<u>28,147</u>	92,881
Other income					8,409					3,701
Selling expenses					(27,281)					(27,197)
Administrative expenses					(35,283)					(33,758)
Finance cost					-					-
Profit before income tax expense					40,096					35,627
Income tax expense					(7,899)					(7,021)
Profit for the periods					32,197					28,606
Other comprehensive income					-					-
Total comprehensive income for the periods					<u>32,197</u>					<u>28,606</u>

Operating segment by business in the statement of financial position as at March 31, 2019 and December 31, 2018 were as follows:

		Thousand Baht									
		As at March 31, 2019					As at December 31, 2018				
		Segment 1	Segment 2	Segment 3	Segment 4	Total	Segment 1	Segment 2	Segment 3	Segment 4	Total
Assets for reportable segments											
Trade receivables -											
other companies		124,414	25,535	52,981	53,178	256,108	117,937	21,920	64,915	58,337	263,109
Inventories		167,038	15,033	67,069	72,033	321,173	150,573	11,879	72,802	69,185	304,439
Goodwill		-	-	200,066	134,606	334,672	-	-	200,066	134,606	334,672
Customer relationship		-	-	50,203	19,303	69,506	-	-	52,858	20,322	73,180
Assets under common use											
- Investment property		-	-	-	-	231,362	-	-	-	-	231,818
- Plant and equipment		-	-	-	-	32,265	-	-	-	-	32,681
- Intangible assets		-	-	-	-	22,901	-	-	-	-	23,979
- Others		-	-	-	-	299,924	-	-	-	-	284,708
Total assets for reportable segments		<u>291,452</u>	<u>40,568</u>	<u>370,319</u>	<u>279,120</u>	<u>1,567,911</u>	<u>268,510</u>	<u>33,799</u>	<u>390,641</u>	<u>282,450</u>	<u>1,548,586</u>
Total liabilities for reportable segments											
		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>268,508</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>281,381</u>

17. BASIC EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the periods by the weighted average number of ordinary shares in issue during the periods.

	For the three-month periods ended	
	March 31,	
	2019	2018
Profit for the periods (Baht)	32,197,363	28,606,456
Weighted average number of ordinary shares (Shares)	584,500,000	584,500,000
Basic earnings per share (Baht per share)	0.06	0.05

18. COMMITMENTS AND CONTINGENT LIABILITIES

As at March 31, 2019 and December 31, 2018, the Company had commitments and contingent liabilities as follows:

18.1 As at March 31, 2019 and December 31, 2018, the Company has letters of guarantee issued by banks for goods and work under system installation service agreement in the amount of Baht 16.56 million and Baht 21.86 million, respectively.

18.2 The credit facilities with financial institutions as at March 31, 2019 and December 31, 2018 consisted of:

Type of credit	Facilities (Million Baht)		Referred interest rate (% per annum)	
	As at March 31, 2019	As at December 31, 2018	As at March 31, 2019	As at December 31, 2018
Bank overdrafts	11.00	11.00	MOR	MOR
Letter of credit/trust receipt	160.00	160.00	MLR-1,MMR	MLR-1,MMR
Letter of guarantee	54.00	54.00	1.65 - 2%	1.65 - 2%
Forward exchange contracts	562.39	562.39		
Promissory notes	5.00	5.00	MLR	MLR
Total	792.39	792.39		
Forward foreign exchange contracts (Million US dollars)	3.00	3.00		

18.3 Minimum lease and service payments are as follows:

Payment periods	Million Baht	
	As at March 31, 2019	As at December 31, 2018
Due not later than 1 year	10.96	11.92
Due later than 1 year but not later than 5 years	1.75	1.57

Rental and service expenses for the three-month period ended March 31, 2019 and 2018 are Baht 3.51 million and Baht 3.51 million, respectively.

19. 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 March 31, 2019 and December 31, 2018, 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:

	Baht			
	As at March 31, 2019			
	Level 1	Level 2	Level 3	Total
Financial assets (liabilities) measured at fair value				
Investments in investment units	-	202,390,711	-	202,390,711
Foreign currency forward contracts	-	261,406	-	261,406

	Baht			
	As at December 31, 2018			
	Level 1	Level 2	Level 3	Total
Financial assets (liabilities) measured at fair value				
Investments in investment units	-	167,434,994	-	167,434,994
Foreign currency forward contracts	-	(1,677,459)	-	(1,677,459)

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

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 March 31, 2019 and December 31, 2018.

Financial assets and financial liabilities	Fair value (Baht)		Fair value Hierarchy	Valuation techniques and key inputs for fair value measurement
	As at March 31, 2019	As at December 31, 2018		
Financial asset(liabilities)				
1. Foreign currency forward contracts	261,406	(1,677,459)	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.

20. ESTABLISHMENT OF A SUBSIDIARY IN VIETNAM

According to the resolution of the Board of Directors Meeting No. 5/2018 on November 9, 2018, the Board of Directors approved the registration of the establishment of a company in Vietnam with registered capital of Vietnamese Dong 800 million (or approximately Baht 1.14 million). The company holds 100% of the shares, then after investment, such company will be a subsidiary of the Company. The objective of this investment is to increase competitiveness and increase efficiency in customer service, by starting from the business unit "Digital Printing System". Presently, the company is registering for a trade license operate business and open overseas bank account (Offshore Account) in the name of the Company for spending a expense of the registration, lawyer fee and office expenses to be the contribution capital.

According to the resolution of the Board of Directors' Meeting No. 1/2562 on February 28, 2019, the Board of Directors approved the increase of the registered capital of the subsidiary from Vietnamese Dong 800 million to Vietnamese Dong not over 2,400 million in order to be sufficient for the operation and support for working capital. However, the total amount when combined with the registered capital will not exceed Baht 4.5 million.

21. EVENT AFTER THE REPORTING PERIOD

According to the Annual General Meeting of Shareholders No. 1/2019, held on April 26, 2019, the shareholders approved the appropriation of legal reserve at 5% of annual net profit in the amount of Baht 6.72 million and approve the dividend payment at the rate of 0.16 baht per share for the issued and paid-up shares of 584,500,000 shares, amounting to 93.52 million baht. The dividend will be paid on 17 May 2019.

22. RECLASSIFICATIONS

Certain reclassifications have been made in the statements of comprehensive income for the three-month period ended March 31, 2018 to conform to the classifications used in the statements of comprehensive income for the three-month period ended March 31, 2019 as follows:

	Baht		
	For the three-month periods ended March 31, 2018		
	As previously reported	Increase (decrease)	As reclassified
Revenues from sales	280,647,631	256,167	280,903,798
Revenue from rendering of services	30,011,113	(256,167)	29,754,946
Cost of rendering of services	29,606,146	(2,478,750)	27,127,396
Selling expenses	24,717,970	2,478,750	27,196,720

“UNAUDITED”

“REVIEWED”

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23. APPROVAL OF INTERIM FINANCIAL STATEMENTS

These interim financial statements were authorized for issue by the Board of Directors of the Company on May 14, 2019.