

**HARN ENGINEERING SOLUTIONS PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY**

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**REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

## **INDEPENDENT AUDITOR'S REPORT**

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

### **Opinion**

I have audited the consolidated financial statements of Harn Engineering Solutions Public Company Limited and its subsidiary (the Group), which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statement of comprehensive income, consolidated statement of changes in shareholders' equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and I have audited the separate financial statements of Harn Engineering Solutions Public Company Limited (the Company), which comprise the statement of financial position as at December 31, 2019, and the statement of comprehensive income, statement of changes in shareholders' equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of Harn Engineering Solutions Public Company Limited and its subsidiary as at December 31, 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended and the separate financial position of Harn Engineering Solutions Public Company Limited as at December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

### **Basis for Opinion**

I conducted my audit in accordance with Thai Standards on Auditing. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Group and the Company in accordance with the Federation of Accounting Professions Code of Ethics for Professional Accountants together with the ethical requirements that are relevant to my audit of the financial statements, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

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### **Key Audit Matters**

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

#### 1) Recognition of revenue from sales and service

##### Risk

The Group and the Company had revenue from sales and service derived from four main business segments which are fire protection and projects, sanitary and air-conditioning systems, cold storage devices, and digital printing system for the year ended December 31, 2019 amounting to Baht 1,369.58 million and Baht 1,366.88 million, respectively, which have different terms and pricing conditions, including revenue from services under the fire protection installation project amounting to Baht 83.96 million and Baht 83.96 million or 6.14% and 6.13% of the Group's and the Company's total revenue from sales and service, respectively. The estimate of a performance obligation under the project agreement has an effect on the revenue that the Group and the Company recognized over time, which it has to recognize by the measuring progress towards complete satisfaction of a performance obligation as at December 31, 2019. I have identified that accuracy and completeness of revenue recognition from sales and service carries significant risk and requires special attention in the audit. The Group and the Company had disclosed its accounting policy of revenue from sales and service recognition and detail of revenue from sales and service in the notes to the financial statement No. 3.17 and 24, respectively.

##### Risk response by auditor

My audit approach on such matter includes understanding the revenue recognition process and internal control related to the revenue recognition, 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, and performing substantive testing which consists of examining terms and conditions of the sales and services agreements and examining the related supporting documents of those revenues, examining the supporting documents for the revenue from sales and services transactions that occurred during the year and near the end of the accounting period, examining credit notes issued after the end of the accounting period, and performing analytical review and test of detail relating to the revenue from sales and services.

#### 2) Testing for impairment of goodwill

##### Risk

The Group and the Company had goodwill of Baht 334.67 million and Baht 334.67 million or 20.97% and 21.04% of total assets as at December 31, 2019, respectively, which is the goodwill arising from the acquisition and transfer of the entire business, which is the cold storage devices segment and digital printing

system segment. The Group and the Company have to test goodwill for impairment annually in accordance with the Thai Financial Reporting Standards. The test of impairment is significant to the audit as the amount has materiality to the financial statements. In addition, the procedure of impairment testing by the management is complex and requires using considerable judgment as well as relying on assumptions, especially the estimates of future cash flows to be received and paid that are expected to generate from the continuing operation of the cash generating unit, and the use of appropriate discount rate in order to discount future cash flow which can change according to the economic conditions and market conditions in the future. The Group and the Company have disclosed goodwill in the notes to the financial statements No. 3.12 which describes the accounting policies and No. 13 which describes the amount and key assumptions that may affect the impairment in the future.

#### Risk response by auditor

In my audit approach, I have considered the reasonableness of the assumptions and methods used by the management in calculating the estimates of future cash flows to be received and paid that are expected to be generated by auditing the supporting evidence which presents the best estimate of the management, especially on the revenue forecast and gross profit and profit from operation of the business segments of the Company, the use of appropriate discount rate to discount future cash flow, as well as testing the calculation of the recovery amount. In addition, I have paid attention on the adequacy of the information disclosure relating to the assumptions which are most sensitive that may affect the testing result of impairment and has significant effect on the measurement of recovery amount of goodwill.

#### **Other Information**

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and my auditor's report thereon. The annual report is expected to be made available to me after the date of this auditor's report.

My opinion on the financial statements does not cover the other information and I will not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my 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 my knowledge obtained in the audit, or otherwise appears to be materially misstated.

When I read the annual report, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance in order for those charged with governance to correct the misstatement.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements and separate financial statements in accordance with Thai Financial Reporting Standards, 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 consolidated financial statements and separate financial statements, management is responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group and the Company or to cease operations, or has no realistic alternative but to do so.

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

#### **Auditor's Responsibilities for the Audit of the Financial Statements**

My objectives are to obtain reasonable assurance about whether the consolidated financial statements and separate 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 my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Thai Standards on Auditing 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 consolidated financial statements and separate financial statements.

As part of an audit in accordance with Thai Standards on Auditing, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and separate 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 my 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 Group's and 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 Group's and the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the consolidated financial statements and separate financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Group and the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements and separate financial statements, including the disclosures, and whether the consolidated financial statements and separate 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 within the Group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

I 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 I identify during my audit.

I 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 my independence, and where applicable, related safeguards.

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

The engagement partner responsible for the audit resulting in this independent auditor's report is Mr. Thanawut Piboonsawat.

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

Dharmniti Auditing Company Limited  
Bangkok, Thailand  
February 27, 2020

**HARN ENGINEERING SOLUTIONS PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2019**

		<u>ASSETS</u>			
		Baht			
		Consolidated	Separate financial statements		
		financial			
		statements			
Note		2019	2019	2018	
<b>CURRENT ASSETS</b>					
	Cash and cash equivalents	5	127,099,721	120,123,681	29,310,563
	Temporary investments	6	124,477,923	124,477,923	167,434,994
	Trade and other receivables	7	316,114,477	319,085,352	284,531,945
	Current portion of finance lease receivables	8	6,837,622	6,837,622	11,793,435
	Unbilled receivables		9,566,298	9,566,298	11,421,369
	Inventories	9	305,039,856	302,782,483	304,439,304
	Other current assets		726,617	422,726	478,604
	<b>TOTAL CURRENT ASSETS</b>		<b>889,862,514</b>	<b>883,296,085</b>	<b>809,410,214</b>
<b>NON-CURRENT ASSETS</b>					
	General investment		241,845	241,845	241,845
	Long-term finance lease receivables	8	7,990,909	7,990,909	21,128,666
	Investment in subsidiary	10	-	1,057,444	-
	Investment property	11	229,967,576	229,967,576	231,818,176
	Property and equipment	12	30,666,742	30,666,742	32,680,745
	Goodwill	13	334,672,061	334,672,061	334,672,061
	Customer relationship	14	58,279,813	58,279,813	73,180,908
	Intangible assets	15	20,947,073	20,947,073	23,979,343
	Other non-current assets		23,668,992	23,668,992	21,474,503
	<b>TOTAL NON-CURRENT ASSETS</b>		<b>706,435,011</b>	<b>707,492,455</b>	<b>739,176,247</b>
	<b>TOTAL ASSETS</b>		<b>1,596,297,525</b>	<b>1,590,788,540</b>	<b>1,548,586,461</b>

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

**HARN ENGINEERING SOLUTIONS PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY**  
**STATEMENT OF FINANCIAL POSITION (CONT.)**  
**AS AT DECEMBER 31, 2019**

**LIABILITIES AND SHAREHOLDERS' EQUITY**

	Note	Baht		
		Consolidated	Separate financial statements	
		financial statements	2019	2018
		2019	2019	2018
<b>CURRENT LIABILITIES</b>				
Trade and other payables	16	194,404,184	187,871,210	210,181,058
Income tax payable		21,183,499	21,183,499	16,064,280
Short-term provisions		1,455,735	1,455,735	384,041
Other current liabilities		6,547,394	6,545,623	6,271,500
<b>TOTAL CURRENT LIABILITIES</b>		<b>223,590,812</b>	<b>217,056,067</b>	<b>232,900,879</b>
<b>NON-CURRENT LIABILITIES</b>				
Deferred tax liabilities	17	2,166,298	2,166,298	9,744,962
Employee's benefit obligations	18	25,513,846	25,513,846	16,670,899
Other non-current liabilities		23,364,196	23,364,196	22,064,273
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>51,044,340</b>	<b>51,044,340</b>	<b>48,480,134</b>
<b>TOTAL LIABILITIES</b>		<b>274,635,152</b>	<b>268,100,407</b>	<b>281,381,013</b>

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



**HARN ENGINEERING SOLUTIONS PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY**  
**STATEMENT OF FINANCIAL POSITION (CONT.)**  
**AS AT DECEMBER 31, 2019**

**LIABILITIES AND SHAREHOLDERS' EQUITY (CONT.)**

	Note	Baht		
		Consolidated	Separate financial statements	
		financial statements		
		2019	2019	2018
<b>SHAREHOLDERS' EQUITY</b>				
Share capital				
Authorized share capital				
584,500,000 ordinary shares of Baht 0.50 each		292,250,000	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	292,250,000
Premium on ordinary shares	20	776,416,427	776,416,427	776,416,427
Retained earnings				
Appropriated				
Legal reserve	21	29,225,000	29,225,000	27,068,831
Unappropriated		223,824,610	224,796,706	171,470,190
Other components of equity		(53,664)	-	-
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>1,321,662,373</b>	<b>1,322,688,133</b>	<b>1,267,205,448</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>1,596,297,525</b>	<b>1,590,788,540</b>	<b>1,548,586,461</b>

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

**HARN ENGINEERING SOLUTIONS PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	Note	Baht	
		Consolidated financial statements	Separate financial statements
		2019	2019 2018
<b>Revenues</b>			
Revenues from sales		1,236,042,819	1,238,746,444 1,198,963,880
Revenue from rendering of services		130,840,381	130,840,381 145,302,809
Other income		27,090,896	27,089,584 11,749,984
Total revenues		<u>1,393,974,096</u>	<u>1,396,676,409</u> <u>1,356,016,673</u>
<b>Expenses</b>			
Cost of sales		827,909,781	830,117,478 802,508,957
Cost of rendering of services		120,782,675	120,782,675 128,718,817
Selling expenses		117,556,045	117,457,878 119,078,784
Administrative expenses		140,780,321	140,401,008 138,202,799
Finance cost		-	- 341
Total expenses		<u>1,207,028,822</u>	<u>1,208,759,039</u> <u>1,188,509,698</u>
Profit before income tax expenses		186,945,274	187,917,370 167,506,975
Income tax expenses	26	37,325,871	37,325,871 33,148,221
Profit for the year		<u>149,619,403</u>	<u>150,591,499</u> <u>134,358,754</u>
<b>Other comprehensive income</b>			
Item that will not be reclassified to profit or loss:			
Actuarial gain (losses) on define			
employee benefit plans, net of tax	18	(1,588,878)	(1,588,878) -
		<u>(1,588,878)</u>	<u>(1,588,878)</u> <u>-</u>
Item that may be reclassified subsequently to profit or loss:			
Currency translation differences of the financial			
statement of foreign subsidiary		(53,664)	- -
		<u>(53,664)</u>	<u>-</u> <u>-</u>
Other comprehensive income (expense) for the year, net of tax		<u>(1,642,542)</u>	<u>(1,588,878)</u> -
Total comprehensive income for the year		<u>147,976,861</u>	<u>149,002,621</u> <u>134,358,754</u>
<b>Basic earnings per share</b>			
Profit attributable to owners of the parent	27	0.26	0.26 0.23
Weighted average number of ordinary shares (shares)		<u>584,500,000</u>	<u>584,500,000</u> <u>584,500,000</u>

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

**HARN ENGINEERING SOLUTIONS PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY**

**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

**FOR THE YEAR ENDED DECEMBER 31, 2019**

		Baht					
		Consolidated financial statements					
	Note	Issued and paid-up share capital	Premium on ordinary shares	Retained earnings		Other components of equity	Total shareholders' equity
				Appropriated legal reserve	Unappropriated	Currency translation differences of the financial statements of foreign subsidiary	
Beginning balance as at January 1, 2019		292,250,000	776,416,427	27,068,831	171,470,190	-	1,267,205,448
Appropriated to legal reserve		-	-	2,156,169	(2,156,169)	-	-
Dividend	22	-	-	-	(93,519,936)	-	(93,519,936)
Total comprehensive income for the year							
Profit for the year		-	-	-	149,619,403	-	149,619,403
Other comprehensive income (expense) for the year							
Actuarial gain (losses) on define employee benefit plans, net of tax		-	-	-	(1,588,878)	-	(1,588,878)
Exchange deference on translating financial stateme		-	-	-	-	(53,664)	(53,664)
Ending balance as at December 31, 2019		292,250,000	776,416,427	29,225,000	223,824,610	(53,664)	1,321,662,373

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

**HARN ENGINEERING SOLUTIONS PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY**  
**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

		Baht				
		Separate financial statements				
		Issued and	Premium	Retained earnings		Total
		paid-up	on	Appropriated	Unappropriated	shareholders'
	Note	share capital	ordinary shares	legal reserve		equity
Beginning balance as at January 1, 2018		292,250,000	776,416,427	20,350,894	125,659,317	1,214,676,638
Appropriated to legal reserve		-	-	6,717,937	(6,717,937)	-
Dividend	22	-	-	-	(81,829,944)	(81,829,944)
Total comprehensive income for the year						
Profit for the year		-	-	-	134,358,754	134,358,754
Other comprehensive income (expense) for the year		-	-	-	-	-
Ending balance as at December 31, 2018		292,250,000	776,416,427	27,068,831	171,470,190	1,267,205,448
Appropriated to legal reserve		-	-	2,156,169	(2,156,169)	-
Dividend	22	-	-	-	(93,519,936)	(93,519,936)
Total comprehensive income for the year						
Profit for the year		-	-	-	150,591,499	150,591,499
Other comprehensive income (expense) for the year		-	-	-	-	-
Actuarial gain (losses) on define employee benefit plans, net of tax		-	-	-	(1,588,878)	(1,588,878)
Ending balance as at December 31, 2019		292,250,000	776,416,427	29,225,000	224,796,706	1,322,688,133

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

**HARN ENGINEERING SOLUTIONS PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY**

**STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED DECEMBER 31, 2019**

	Baht			
	Consolidated	Separate financial statements		
	financial statements	2019	2018	
2019	2019	2018		
Cash flows from operating activities				
Profit for the year	149,619,403	150,591,499	134,358,754	
Adjustment to reconcile profit for the year to net cash provided by (used in) operating activities :				
Allowance for doubtful account (reversal)	1,811,036	1,811,036	1,184,750	
Depreciation and amortization	16,721,518	16,721,518	16,358,023	
Amortization of customer relationship	14,901,095	14,901,095	14,901,094	
Loss on devaluation of inventories	8,256,642	8,256,642	2,724,182	
(Gain) loss on disposals of equipment	(662,322)	(662,322)	(156,674)	
Unrealized (gain) loss on exchange rate	210,302	210,302	(389,504)	
(Gain) loss on disposals of investment	(902,711)	(902,711)	(1,827,324)	
Unrealized (gain) loss on revaluation of temporary investments	(1,654,472)	(1,654,472)	1,706,493	
Interest income	(436,931)	(436,931)	(95,676)	
Employee's benefit expenses	7,485,849	7,485,849	1,772,906	
Finance cost	-	-	341	
Income tax expense	37,325,871	37,325,871	33,148,221	
Profit from operating before changes in operating assets and liabilities	232,675,280	233,647,376	203,685,586	
(Increase) decrease in operating assets				
Trade and other receivables	(33,444,591)	(36,415,466)	(10,860,744)	
Finance lease receivables	18,093,570	18,093,570	(13,665,530)	
Unbilled receivables	1,855,071	1,855,071	455,380	
Inventories	(12,385,768)	(10,128,394)	(20,268,938)	
Other current assets	(248,013)	55,877	430,483	
Other non-current assets	(2,194,489)	(2,194,489)	(4,123,139)	

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

**HARN ENGINEERING SOLUTIONS PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY**

**STATEMENT OF CASH FLOWS (CONT.)**

**FOR THE YEAR ENDED DECEMBER 31, 2019**

	Baht		
	Consolidated	Separate financial statements	
	financial statements		
	2019	2019	2018
Increase (decrease) in operating liabilities			
Trade and other payables	(15,985,061)	(22,518,035)	39,699,501
Short-term provisions	1,071,693	1,071,693	384,041
Other current liabilities	274,123	274,123	455,145
Employee's benefit obligations	(629,000)	(629,000)	-
Other non-current liabilities	1,301,694	1,299,923	5,517,698
Cash generated (paid) from operating	190,384,509	184,412,249	201,709,483
Interest paid	-	-	(341)
Income tax paid	(39,388,096)	(39,388,096)	(38,268,022)
Net cash provided by (used in) operating activities	150,996,413	145,024,153	163,441,120
Cash flows from investing activities			
Cash payments for purchase of temporary investments	(184,555,615)	(184,555,615)	(380,170,447)
Cash receipts from redemption of temporary investments	230,299,806	230,299,806	411,975,543
Cash payment for acquisition of investment in subsidiary	-	(1,057,444)	-
Cash payments for purchase of investment property	-	-	(117,000,000)
Cash payments for purchase of equipment	(5,868,717)	(5,868,717)	(7,460,653)
Cash receipts from disposal of equipment	1,654,429	1,654,429	2,727,685
Cash payments for purchases of intangible assets	(1,370,553)	(1,370,553)	(4,424,415)
Interest received	206,995	206,995	95,676
Net cash provided by (used in) investing activities	40,366,345	39,308,901	(94,256,611)
Cash flows from financing activities			
Dividend paid	(93,519,936)	(93,519,936)	(81,829,944)
Net cash provided by (used in) financing activities	(93,519,936)	(93,519,936)	(81,829,944)

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

**HARN ENGINEERING SOLUTIONS PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY**

**STATEMENT OF CASH FLOWS (CONT.)**

**FOR THE YEAR ENDED DECEMBER 31, 2019**

	Baht		
	Consolidated	Separate financial statements	
	financial statements		
	2019	2019	2018
Net increase (decrease) in cash and cash equivalents	97,842,822	90,813,118	(12,645,435)
Cash and cash equivalents at beginning of year	29,310,563	29,310,563	41,955,998
Effect of translation adjustment on foreign currency	(53,664)	-	-
financial statements	<u>127,099,721</u>	<u>120,123,681</u>	<u>29,310,563</u>
Cash and cash equivalents at end of year			

Supplemental disclosures of cash flows information :

Non-Cash transaction

Liabilities incurred from acquisition of equipment and intangible assets

Liabilities incurred from acquisition of equipment

and intangible assets - beginning of year

Inventories transferred to equipment

Equipment transferred to expense

Add Purchases of equipment and intangible assets

Less Cash payments

Liabilities incurred from acquisition of

fixed assets and intangible assets - ending of year

426,371	426,371	4,045,276
(3,748,221)	(3,748,221)	(5,352,797)
(219,646)	(219,646)	(239,526)
<u>11,036,399</u>	<u>11,036,399</u>	<u>130,858,486</u>
<u>(7,239,270)</u>	<u>(7,239,270)</u>	<u>(128,885,068)</u>
<u>255,633</u>	<u>255,633</u>	<u>426,371</u>

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

**HARN ENGINEERING SOLUTIONS PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

1. GENERAL INFORMATION

- (a) Legal status and address of the company group

Company

The Company was registered to be a limited company with the Ministry of Commerce 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 address of its registered head office are as follows:

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

Subsidiary

Harn Vietnam Company Limited “subsidiary” is a company established in Vietnam on July 30, 2019.

The address of the subsidiary’s head office is as follows:

5<sup>th</sup> floor, Vietcomreal Building, 68 Nguyen Hue, Ben Nghe Ward, District 1, Ho Chi Minh City, Vietnam

- (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.

The subsidiary’s principal business is sale of printing equipment.

2. BASIS FOR THE PREPARATION OF FINANCIAL STATEMENTS

- 2.1 Basis for the preparation of financial statements

The financial statements have been prepared in accordance with the accounting standards prescribed by Thai Accounts Act enunciated under the Accounting Profession Act B.E. 2547 by complying with the Thai Financial Reporting Standards. The presentation of the financial statements has been made in compliance with the Notification of the Department of Business Development, the Ministry of Commerce, re : the financial statements presentation for public limited company, issued under the Accounting Act B.E. 2543.

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



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

## 2.2 Basis for the preparation of consolidated financial statements

2.2.1 The consolidated financial statements have included the financial statements of Harn Engineering Solutions Public Company Limited and its subsidiary as follows;

Company name	Type of business	Percentage of shareholding % of share capital	
		As at December 31, 2019	Country of establishment
<b>Direct shareholding</b>			
Harn Vietnam Co., Ltd.	Printing equipment	100.00	Vietnam

The Company had purchased the investment in Harn Vietnam Co., Ltd. at 100% of total number of shares issued from such company and the Company has consolidated the financial statements in the preparation of consolidated financial statements of the group of the company from July 30, 2019, onwards.

2.2.2 The Company is deemed to have control over an investee or subsidiary if it has rights, or is exposed, to variable returns from its involvement with the investee, and it has the ability to direct the activities that affect the amount of its returns.

2.2.3 Subsidiary is fully consolidated, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases.

2.2.4 The financial statements of an overseas subsidiary is translated into Thai Baht at the closing exchange rate as to assets and liabilities, and at monthly average exchange rates as to revenues and expenses. The resultant differences have been shown under the caption of "Currency translation changes of the financial statements of foreign entity" in shareholders' equity.

2.2.5 The consolidated financial statements are prepared by using uniform accounting policies. So that the transaction and the others event which are the same or the similar circumstances have been used the identical policies to record those transaction.

2.2.6 Material balances and transactions between the Company and its subsidiary companies have been eliminated from the consolidated financial statements.

## 2.3 Financial reporting standards that became effective in the current year

During the year, the Company and its subsidiaries have adopted the revised (revised 2018) and new financial reporting standards and interpretations, which are 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 Company and its subsidiaries' financial statements.

## 2.4 Financial reporting standards that will become effective in the future

The Federation of Accounting Professions issued a number of new and revised financial reporting standards and interpretations, which are effective for fiscal years beginning on or after January 1, 2020. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards clarifying accounting treatment and providing accounting guidance for users of the standards. Except, the new standard involves changes to key principles, as summarized below.

### **Financial reporting standards related to financial instruments:**

A set of TFRSs related to financial instruments, which consists of five accounting standards and interpretations, as follows:

Financial Reporting Standards:

TFRS 7	Financial Instruments: Disclosures
TFRS 9	Financial Instruments

Accounting standard:

TAS 32	Financial Instruments: Presentation
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Financial Reporting Standard Interpretations:

TFRIC 16	Hedges of a Net Investment in a Foreign Operation
TFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

These TFRSs related to financial instruments make stipulations relating to the classification of financial instruments and their measurement at fair value or amortized cost (taking into account the type of instrument, the characteristics of the contractual cash flows and the Company's business model), calculation of impairment using the expected credit loss method, and hedge accounting. These include stipulations regarding the presentation and disclosure of financial instruments. When the TFRSs related to financial instruments are effective, some accounting standards, interpretations and guidance which are currently effective will be cancelled.

### **TFRS 16 Leases**

These TFRSs supersedes TAS 17 Leases together with related Interpretations. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases, and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is low value.

Accounting by lessors under TFRS 16 is substantially unchanged from TAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles to those used under TAS 17.

The management of the Company and its subsidiary are currently evaluating the impact of these standards to the financial statements in the year when they are adopted.

### 3. SIGNIFICANT ACCOUNTING POLICIES

#### 3.1 Business combinations

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

The Company's and its subsidiary's control are 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 and its subsidiary to the previous owners of the acquiree, and equity interests issued by the Company and its subsidiary. 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 and its subsidiary measures any non-controlling interest at its proportionate interest in the identifiable net assets of the acquiree.

Transaction costs that the Company and its subsidiary 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 and its subsidiary 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 30.

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 and its subsidiary have 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 re-measuring 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 and its subsidiary 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

Investments held for trading are stated at fair value, with any resultant gain or loss from revaluation recognized in profit or loss.

Investment in debt securities which the Company intent and able to hold investment to maturity. Investment in debt securities is stated at amortization cost net from impairment loss (if any). Interest income is recognized by using the effective interest rate method in statement of comprehensive income. Unit trust is stated at fair value which announced by the fund management company

Cost 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 Investments in subsidiary

Subsidiary is a company in which the Company has the power to control the financial and operating policies generally accompanying a shareholding of more than one-half of the voting rights.

Investment in subsidiary is stated at cost net from allowance on impairment (if any). Loss on impairment of investment will be recognized as loss in the statement of comprehensive income.

### 3.10 Investment property

Investment property is stated at cost less accumulated depreciation and allowance on impairment (if any).

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
Factory building	40
Building improvements	10
Tool and equipment	5

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

### 3.11 Equipment

#### Recognition and measurement

Equipment are stated at cost less accumulated depreciation and allowance on decline in value (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 property plant and equipment.

When parts of an item of plant and 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 property plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property plant and 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 property plant and equipment are 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 subsidiary, 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 plant and equipment, which are 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.

### 3.12 Goodwill

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

### 3.13 Intangible asset

#### Other intangible assets

Other intangible asset, which are acquired by the Company and its subsidiary 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.

### 3.14 Impairment of assets

The carrying amounts of the Company's and its subsidiary'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.

### 3.15 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 and its subsidiary are 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.



### 3.16 Employee benefits

#### Short-term benefits

The Company and its subsidiary are 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 and its subsidiary 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 and its subsidiary recognizes all actuarial gains (losses) immediately in other comprehensive income.

### 3.17 Revenues

#### **Revenue from sale of goods**

Revenue from sale of goods is recognized at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. Revenue is measured at the amount of the consideration received or receivable, excluding value added tax, of goods supplied after deducting returns and discounts.

For sale with warranties to assure that the goods comply with agree-upon specifications, the Company recognized the warranty as provisions, contingent liabilities and contingent assets.

The service-type warranties provided customers with a service in addition to the assurance that the product complies with agree-upon specifications is recognized as revenue over the period in which the service is provided.

### **Revenue from rendering of services**

Revenue from project services is recognized over time in accordance with the measuring progress towards complete satisfaction of a performance obligation, based on the costs incurred to the satisfaction of a performance obligation relative to the total expected costs to the satisfaction of that performance obligation. In some circumstances, the Company and its subsidiary may not be able to reasonably measure the outcome of a performance obligation, but the Company and its subsidiary expect to recover the costs incurred in satisfying the performance obligation. In those circumstances, the Company and its subsidiary shall recognize revenue only to the extent of costs incurred until such time that it can reasonably measure the outcome of the performance obligation.

Revenue from providing maintenance service is recognized over time when services have been rendered considering the straight-line method over the term of the contracts.

The recognized revenue which is not yet due per the contracts has been presented as “Accrued service income / Unbilled receivables” in the statement of financial position, which is classified as trade receivables when the Company has right to receive without condition such as upon completion of services and acceptance by the customer.

### **Revenue from rental**

Revenue from rental is recognized over time on a straight-line method over the term of the contracts.

### **Deferred revenue**

The obligation to transfer goods or service to a customer for which the Company and its subsidiary have received consideration or an amount of consideration is due from the customer is presented as “Deferred revenue” in the statement of financial position, which is classified as other payables under trade and other payable. Deferred revenue will be recognized as revenue when the Company completely perform the obligation stated in the contract.

### **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.

## **3.18 Expenses**

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

### 3.19 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.

### 3.20 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 and its subsidiary believe 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 and its subsidiary 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.

### 3.21 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.

### 3.22 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 share-based payment transactions that are within the scope of TFRS 2 (Revised 2018), leasing transactions that are within the scope of TAS 17 (Revised 2018), and measurements that have some similarities to fair value but are not fair value, such as net realizable value in TAS 2 (Revised 2018) or value in use in TAS 36 (Revised 2018).

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.

### 3.23 Use of management's critical judgements in applying accounting policies

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

The preparation of financial statements in conformity with generally accepted accounting principles requires the Company and its subsidiary are 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 and its subsidiary 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 and its subsidiary are shall estimate the recoverable amount of the asset.

##### Allowance for doubtful accounts

In determining an allowance for doubtful accounts, the management needs to make judgement and estimates based upon, among other things, past collection history, aging profile of outstanding debts and the prevailing economic condition.

##### Allowance for declining in value of inventory

The determination of allowance for declining in the value of inventory, requires management to make judgements and estimates of the loss expected to occur. The allowance for decline in net realizable value is estimated based on the selling price expected in the ordinary course of business less selling expense. The provision for obsolete slow-moving and deteriorated inventory, is estimated based on the approximate useful life of each type of inventory. The allowance for diminution in value of inventory as determined is compared with the original balance in the books of account and the increase or decrease in the allowance for diminution in value of inventory will be recognized as cost of sales and service in profit or loss.

##### Estimated construction project costs

The Company and its subsidiary 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 and its subsidiary have 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 and its subsidiary have 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 and its subsidiary are 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.

#### Investment property/Depreciation

In determining depreciation of investment property, the management is required to make estimates of the useful lives and residual values of the investment property and to review the useful lives and residual values when there are any changes.

In addition, the management is required to review investment property for impairment on a periodical basis and record the impairment loss when it is determined that the recoverable amount is lower than the carrying amount. This requires judgement regarding forecast of future revenues and expenses relating to the assets subject to the review.

In determining the fair value disclosure of investment property, the management used the income approach supported by current and previous valuations by an independent appraiser.

#### Property, plant and equipment/Depreciation

In determining depreciation of plant and equipment, the management is required to make estimates of the useful lives and residual values of the plant and equipment and to review the estimated useful lives and residual values when there are any changes.

In addition, the management is required to review property, plant and equipment for impairment on a periodical basis and record the impairment loss when it is determined that the recoverable amount is lower than the carrying amount. This requires judgement regarding forecast of future revenues and expenses relating to the assets subject to the review.

#### Intangible assets

In recording the initial recognition and measurement of intangible assets as at the acquired date and subsequent impairment testing, the management is required to make estimates of cash flows to be generated by the asset or the cash generating units and to choose a suitable discount rate in order to calculate the present value of those cash flows.

#### 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 and its subsidiary are 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.

#### Deferred tax assets

Deferred tax assets are recognized for deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the temporary differences and losses can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of estimated future taxable profits.

#### (2) Key sources of estimation uncertainty

##### Fair value measurements and valuation processes

In estimating the fair value of an asset or liability, the Company and its subsidiary use market-observable data to the extent it is available. Where Level 1 inputs are not available, the Company and its subsidiary engage qualified external values 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 29.

#### 4. RELATED PARTY TRANSACTIONS

The Company and its subsidiary 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 Vietnam Co., Ltd.	Vietnam	Subsidiary	Major shareholder
Harn Engineering Co., Ltd.	Thailand	Related company	Directorships and/or common shareholders
Phraboriban Co., Ltd.	Thailand	Related company	Directorships and/or common shareholders
Throughwave (Thailand) Co., Ltd.	Thailand	Related company	Close members of the director's family
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

Bases of measurement for intercompany revenues and expenses

	Pricing Policy
Sale of goods	Market price
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 and its subsidiary entered into office building rental agreement as follows:

	As at December 31, 2019		
	Lessor	Period	Rate per month (Baht)
Office rental agreement	Mr. Jain Charnnarong	3.6 years	53,100
	Harn Engineering Co., Ltd.	3.6 years	413,916
Warehouse rental agreement	Phraboriban Co., Ltd.	3 years	280,900

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

	Baht		
	Consolidated financial statements	Separate financial statements	
	2019	2019	2018
Trade and other receivables			
Subsidiary			
Harn Vietnam Co., Ltd.	-	3,238,895	-
Related company			
Harn Engineering Co., Ltd.	1,852,022	1,852,022	2,336,218
	<u>1,852,022</u>	<u>5,150,917</u>	<u>2,336,218</u>
Deposit			
Related company			
Throughwave (Thailand) Co., Ltd.	5,229,668	5,090,668	-
Other payable			
Related company			
Throughwave (Thailand) Co., Ltd.	2,988,382	2,988,382	-

Transactions for the years ended December 31, 2019 and 2018 with related parties were summarized as follows:

	Baht		
	Consolidated financial statements	Separate financial statements	
	2019	2019	2018
Sale of goods			
Subsidiary			
Harn Vietnam Co., Ltd.	-	3,190,895	-
Purchase of equipment			
Related company			
Harn Engineering Co., Ltd.	-	-	284,673
Throughwave (Thailand) Co., Ltd.	484,000	484,000	-
	<u>484,000</u>	<u>484,000</u>	<u>284,673</u>
Office rental and service expenses			
Related company			
Harn Engineering Co., Ltd.	5,902,872	5,902,872	5,987,952
Related person			
Mr. Jain Charnnarong	637,200	637,200	637,200
	<u>6,540,072</u>	<u>6,540,072</u>	<u>6,625,152</u>
Warehouse rental expenses			
Related company			
Phraboriban Co., Ltd.	3,370,800	3,370,800	1,404,500
Related person			
Mrs. Sirima Iamsakulrat	-	-	1,966,300
	<u>3,370,800</u>	<u>3,370,800</u>	<u>3,370,800</u>
Directors remuneration			
Directors remuneration	3,955,000	3,955,000	3,970,000
Management benefit expenses			
Shot-term employee's benefits	10,184,187	10,184,187	12,059,930
Post-employment benefits	342,142	342,142	425,795
	<u>14,481,329</u>	<u>14,481,329</u>	<u>16,455,725</u>

Management benefit expenses represents the benefits paid to the Company and its subsidiary are management and directors such as salaries, related benefit and directors' remuneration, including the benefit paid by other means. The Company and its subsidiary are management is the persons who are defined under the Securities and Exchange Act. The management is comprised managing director or the managements who have the top position at the management level from the four lists following by the manager level.

## 5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents were consisted of:

	Foreign currencies			Baht		
	Consolidated financial statements	Separate financial statement		Consolidated financial statements	Separate financial statement	
	2019	2019	2018	2019	2019	2018
Cash on hand - Baht				160,905	160,905	118,915
Cash at banks						
Current accounts - Baht				21,491,132	21,491,132	3,758,241
Savings accounts - Baht				98,471,644	98,471,644	25,433,407
- Vietnamese Dong	5,391,066,665	-	-	6,976,040	-	-
				<u>127,099,721</u>	<u>120,123,681</u>	<u>29,310,563</u>

## 6. TEMPORARY INVESTMENTS

Temporary investments were consisted of:

	Baht		
	Consolidated financial statements/ Separate financial statements		
	2019		
	Cost value	Unrealized gain (loss) on revaluation of investments	Fair value
Trading securities			
- Investment in Bond			
Bank of Thailand	59,585,551	35,204	59,620,755
- Investment in units	63,129,353	1,727,815	64,857,168
Total	<u>122,714,904</u>	<u>1,763,019</u>	<u>124,477,923</u>
	Baht		
	Separate financial statements		
	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	<u>(2,989)</u>	<u>-</u>	<u>(2,989)</u>
Total	<u>167,326,447</u>	<u>108,547</u>	<u>167,434,994</u>

## 7. TRADE AND OTHER RECEIVABLES

Trade and other receivables were consisted of:

	Baht		
	Consolidated financial statements	Separate financial statements	
	2019	2019	2018
Trade receivable			
Trade receivables - subsidiary	-	3,238,895	-
Trade receivables - other companies	288,666,770	288,435,152	263,108,696
Total	288,666,770	291,674,047	263,108,696
Less Allowance for doubtful accounts	(7,286,049)	(7,286,049)	(5,475,013)
Net	281,380,721	284,387,998	257,633,683
Other receivables			
Other receivables - related parties	1,852,022	1,852,022	2,336,218
Other receivables - other companies	8,853,168	8,853,168	1,157,930
Accrued retentions	9,527,045	9,527,045	9,457,971
Deposit	8,762,613	8,746,087	9,595,215
Prepaid expenses	4,674,077	4,654,201	3,677,167
Accrued income	1,064,831	1,064,831	673,761
Total other receivables	34,733,756	34,697,354	26,898,262
Total trade and other receivables	316,114,477	319,085,352	284,531,945

Trade receivables are classified by aging as follows:

	Baht		
	Consolidated financial statements	Separate financial statements	
	2019	2019	2018
Current	187,039,492	186,855,915	171,737,088
Overdue			
Less than 3 months	83,826,501	87,017,355	81,579,532
Over 3 months up to 6 months	8,308,446	8,308,446	5,357,886
Over 6 months up to 12 months	5,356,651	5,356,651	804,084
Over 12 months	4,135,680	4,135,680	3,630,106
Total	288,666,770	291,674,047	263,108,696
Less Allowance for doubtful account	(7,286,049)	(7,286,049)	(5,475,013)
Trade receivables, net	281,380,721	284,387,998	257,633,683

## 8. FINANCE LEASE RECEIVABLES

Finance lease receivables were consisted of:

	Baht		
	Consolidated financial statements	Separate financial statements	
	2019	2019	2018
Finance lease receivables - printing devices	14,828,531	14,828,531	32,922,101
<u>Less</u> Current portion	(6,837,622)	(6,837,622)	(11,793,435)
Long-term finance lease receivables	<u>7,990,909</u>	<u>7,990,909</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 December 31, 2019 and 2018, are as follows:

	Baht	
	Consolidated financial statements	
	2019	
	Minimum lease payments	Present value of minimum lease payments
Collection period		
Within 1 year	8,413,838	6,837,622
Over 1 year but less than 5 years	9,936,769	7,990,909
	18,350,607	14,828,531
<u>Less</u> Deferred interest	(3,522,076)	-
	<u>14,828,531</u>	<u>14,828,531</u>

	Baht			
	Separate financial statements			
	2019		2018	
	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
Collection period				
Within 1 year	8,413,838	6,837,622	16,521,656	11,793,435
Over 1 year but less than 5 years	9,936,769	7,990,909	30,963,874	21,128,666
	18,350,607	14,828,531	47,485,530	32,922,101
<u>Less</u> Deferred interest	(3,522,076)	-	(14,563,429)	-
	<u>14,828,531</u>	<u>14,828,531</u>	<u>32,922,101</u>	<u>32,922,101</u>

## 9. INVENTORIES

Inventories were consisted of:

	Baht		
	Consolidated financial statements	Separate financial statements	
	2019	2019	2018
Finished goods	285,842,722	283,585,349	261,955,093
Goods in transit	43,591,076	43,591,076	58,621,511
Total	329,433,798	327,176,425	320,576,604
<u>Less</u> Allowance for loss on devaluation of inventories	(24,393,942)	(24,393,942)	(16,137,300)
Net	<u>305,039,856</u>	<u>302,782,483</u>	<u>304,439,304</u>

Decline in value of inventory recognized as cost of goods sold for the years ended December 31, 2019 and 2018 were Baht 8.27 million and Baht 3.21 million, respectively (for the Company's only amounting to Baht 8.27 million and Baht 3.21 million, respectively).

#### 10. INVESTMENT IN SUBSIDIARY

Investment in subsidiary consisted of:

Subsidiary	Paid-up capital	Percentage of shareholding (%)	Baht
			Separate financial statements
			Cost method
		2019	2019
Harn Vietnam Co., Ltd.	Vietnamese Dong 800 million	100.00	1,057,444
Total			<u>1,057,444</u>

The company registered Harn Vietnam Co.,Ltd. "subsidiary" in Vietnam on July 30, 2019 with the registered capital of Vietnamese Dong 800 million (Baht 1.06 million). The company held shares in the subsidiary at 100 percent of the registered capital. The principal business is sale of printing equipment with the objective to enhance competitive capacity and enhance customer service by starting from a business unit "digital printing system" as the first business unit.

#### 11. INVESTMENT PROPERTY

Investment property were consisted of:

	Baht				
	Consolidated financial statements/Separate financial statements				
	Balance Dec. 31, 2018	Transactions during the year			Balance Dec. 31, 2019
	Additions	Decrease	Transfer in/out		
<u>Cost</u>					
Land	172,645,421	-	-	-	172,645,421
Factory building	55,675,068	-	-	-	55,675,068
Building improvements	2,671,760	-	-	-	2,671,760
Tool and equipment	957,751	-	-	-	957,751
Total	231,950,000	-	-	-	231,950,000
<u>Accumulated depreciation</u>					
Factory building	(99,147)	(1,391,877)	-	-	(1,491,024)
Building improvements	(19,032)	(267,176)	-	-	(286,208)
Tool and equipment	(13,645)	(191,547)	-	-	(205,192)
Total	(131,824)	(1,850,600)	-	-	(1,982,424)
Investment property-net	231,818,176				229,967,576

	Baht				
	Separate financial statements				
	Balance Dec. 31, 2017	Transactions during the year			Balance Dec. 31, 2018
	Additions	Decrease	Transfer in/out		
<u>Cost</u>					
Land	-	57,695,421	-	114,950,000	172,645,421
Factory building	-	55,675,068	-	-	55,675,068
Building improvements	-	2,671,760	-	-	2,671,760
Tool and equipment	-	957,751	-	-	957,751
Total	-	117,000,000	-	114,950,000	231,950,000
<u>Accumulated depreciation</u>					
Factory building	-	(99,147)	-	-	(99,147)
Building improvements	-	(19,032)	-	-	(19,032)
Tool and equipment	-	(13,645)	-	-	(13,645)
Total	-	(131,824)	-	-	(131,824)
Investment property-net	-				231,818,176

	Baht		
	Consolidated financial statements	Separate financial statements	
	2019	2019	2018
Depreciation for the years			
- selling and administrative expenses	1,850,600	1,850,600	131,824

During the year 2018, the Company has changed its objective for land holding from previously determined future use to be as held for capital appreciation. Therefore, the Company transferred such owner-occupied land as investment property with the cost at Baht 114.95 million. Moreover, the Company was appraised by an independent appraiser by applying the market price approach in the valuation. According to the report dated September 17, 2018, investment property had its fair value in the amount of Baht 117.04 million.

According to the Board of Directors' Meeting No. 5/2018 held on November 9, 2018, the Board of Directors had a resolution to approve entering into the to buy/to sell land and building agreement for the purpose to use as a single warehouse in the future. Later, the Company has entered into to buy/to sell land and building agreement at the amount of Baht 117.00 million. However, currently such land and building have two renters. The lease agreements end on March 15, 2020 (the lessee can extend the agreement period for another 1 year with the same rate. The lessee shall notify at least the months before the agreement expires) and April 30, 2020.

The Company and its subsidiary had rental incomes of investment property for the year ended December 31, 2019 and 2018 in total amounting of Baht 11,300,180 and Baht 922,886, respectively (for the Company's only amounting to Baht 11,300,180 and Baht 922,886, respectively) and recognized as operating expenses amounting to Baht 2,567,033 and Baht 131,824, respectively (for the Company's only amounting to Baht 2,567,033 and Baht 131,824, respectively).

## 12. PROPERTY, AND EQUIPMENT

Property, and equipment were consisted of:

	Baht				Balance Dec. 31, 2019
	Consolidated financial statements/Separate financial statements				
	Balance Dec. 31, 2018	Transactions during the year			
	Additions	Decrease	Transfer in/out		
<u>Cost</u>					
Land	4,180,434	1,307,299	(81,000)		5,406,733
Tool and equipment	25,645,470	982,782	(452,219)	506,430	26,682,463
Furniture and office equipment	25,432,035	3,163,849	(4,092,160)		24,503,724
Vehicles	37,678,779	3,812,274	(1,438,715)	19,642	40,071,980
Assets in progress	22,430	503,642	-	(526,072)	-
Total	<u>92,959,148</u>	<u>9,769,846</u>	<u>(6,064,094)</u>	<u>-</u>	<u>96,664,900</u>
<u>Accumulated depreciation</u>					
Tool and equipment	(3,005,043)	(457,165)	80,999	-	(3,381,209)
Furniture and office equipment	(17,707,097)	(3,721,711)	447,178	-	(20,981,630)
Vehicles	(13,447,522)	(2,220,282)	3,131,862	-	(12,535,942)
Assets for rental and demonstration	(26,118,741)	(4,172,938)	1,192,302	-	(29,099,377)
Total	<u>(60,278,403)</u>	<u>(10,572,096)</u>	<u>4,852,341</u>	<u>-</u>	<u>(65,998,158)</u>
Property and equipment-net	<u>32,680,745</u>				<u>30,666,742</u>



	Baht				
	Separate financial statements				
	Balance	Transactions during the year			Balance
	Dec. 31, 2017	Additions	Decrease	Transfer in/out	Dec. 31, 2018
<u>Cost</u>					
Land	114,950,000	-	-	(114,950,000)	-
Tool and equipment	3,686,673	624,263	(142,283)	11,781	4,180,434
Furniture and office equipment	24,913,580	1,757,113	(1,025,223)	-	25,645,470
Vehicles	26,130,288	4,661,404	(5,359,657)	-	25,432,035
Assets for rental and demonstration	36,680,064	5,838,956	(4,840,241)	-	37,678,779
Asset in progress	-	34,211	-	(11,781)	22,430
Total	<u>206,360,605</u>	<u>12,915,947</u>	<u>(11,367,404)</u>	<u>(114,950,000)</u>	<u>92,959,148</u>
<u>Accumulated depreciation</u>					
Tool and equipment	(2,590,154)	(553,771)	138,882	-	(3,005,043)
Furniture and office equipment	(13,855,517)	(4,599,305)	747,725	-	(17,707,097)
Vehicles	(14,396,823)	(2,381,448)	3,330,749	-	(13,447,522)
Assets for rental and demonstration	(25,049,860)	(4,427,130)	3,358,249	-	(26,118,741)
Total	<u>(55,892,354)</u>	<u>(11,961,654)</u>	<u>7,575,605</u>	<u>-</u>	<u>(60,278,403)</u>
Property and equipment-net	<u>150,468,251</u>				<u>32,680,745</u>

	Baht		
	Consolidate	Separate financial statements	
	financial		
	statements	2019	2018
Depreciation for the years			
- cost of sale	3,777,903	3,777,903	4,189,592
- selling and administrative expenses	6,794,193	6,794,193	7,772,062
Total	<u>10,572,096</u>	<u>10,572,096</u>	<u>11,961,654</u>

As at December 31, 2019 and 2018, the Company and its subsidiary had equipment which were fully depreciated but still in use with the cost price of Baht 34.60 million and Baht 27.69 million, respectively (for the Company's only amounting to Baht 34.60 million and Baht 27.69 million, respectively).

According to the minutes of the Board of Directors' Meeting No.4/2017 dated October 18, 2017, it had a unanimous resolution to approve purchasing land size 5 - 0 - 90 rai, amounted Baht 114.95 million which is located in Tambon Dok Mai (North Samrong) Praveh (Prakhanong) Bangkok to increase the warehouse center management efficiency, and the ownership already transferred at Land Department is on October 30, 2017. During the year 2018, the Company has transferred the such land to become investment property (Note 11).

### 13. GOODWILL

On November 29, 2016, Chillmatch Co., Ltd. and Q II S Co., Ltd. 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.

#### Testing for impairment of goodwill

During the year ended December 31, 2019 and 2018, the Company has tested for impairment of goodwill that arises from the acquisition of Chillmatch Co., Ltd. and Q II S Co., Ltd. which were the subsidiaries under Entire Business Transfer (EBT) process and allocation of Cash Generating Unit (“CGU”) which consists of Refrigeration System Unit and Digital Printing System Unit by comparing the carrying amount of the unit includes the goodwill, with the recoverable amount. The recovery amount was based on its value in use, determined by future cash flows to be generated from the continuing use of the unit. The cash flows were projected over a period of 5 years before a terminal growth rate.

After consideration, management believed that goodwill is not impaired.

The key assumptions used in estimating the value in use are as follows:

Key assumption	Value		Approach used to determine the value
	2019	2018	
- Discount rate	4.47% (Weighted Average Cost of Capital: WACC)	10.05% (Weighted Average Cost of Capital: WACC)	The discount rate which is a pre-tax rate that reflects the specific risk of the particular business unit
- Terminal Value Growth Rate	0%	0%	Appropriate estimated rate

### 14. CUSTOMER RELATIONSHIP

Customer relationship were consisted of:

	Baht			
	Consolidated financial statements / Separate financial statements			
	Balance	Transactions during the year		Balance
	Dec. 31, 2018	Addition	Decrease	Dec. 31, 2019
<u>Cost</u>				
Customer relationship	104,307,663	-	-	104,307,663
<u>Less</u> accumulated amortization	(31,126,755)	(14,901,095)	-	(46,027,850)
Customer relationship - net	<u>73,180,908</u>			<u>58,279,813</u>
	Baht			
	Separate financial statements			
	Balance	Transactions during the year		Balance
	Dec. 31, 2017	Addition	Decrease	Dec. 31, 2018
<u>Cost</u>				
Customer relationship	104,307,663	-	-	104,307,663
<u>Less</u> accumulated amortization	(16,225,661)	(14,901,094)	-	(31,126,755)
Customer relationship - net	<u>88,082,002</u>			<u>73,180,908</u>

	Baht		
	Consolidated financial statement	Separate financial statement	
	2019	2019	2018
Amortization cost for the years - selling expenses	14,901,095	14,901,095	14,901,094

## 15. INTANGIBLE ASSET

Intangible asset were consisted of:

	Baht				
	Consolidated financial statements / Separate financial statements				
	Balance	Transactions during the year			Balance
Dec. 31, 2018	Addition	Decrease	Transfer	Dec. 31, 2019	
			In / out		
<u>Cost</u>					
Software licenses	37,571,664	463,600	-	-	38,035,264
Software in progress	104,000	802,952	-	-	906,952
Total	37,675,664	1,266,552	-	-	38,942,216
<u>Less Accumulated amortization</u>					
Software licenses	(13,696,321)	(4,298,822)	-	-	(17,995,143)
Total	(13,696,321)	(4,298,822)	-	-	(17,995,143)
Intangible asset-net	23,979,343				20,947,073

  

	Baht				
	Separate financial statements				
	Balance	Transactions during the year			Balance
Dec. 31, 2017	Addition	Decrease	Transfer	Dec. 31, 2018	
			In / out		
<u>Cost</u>					
Software licenses	36,323,635	495,729	-	752,300	37,571,664
Software in progress	409,490	446,810	-	(752,300)	104,000
Total	36,733,125	942,539	-	-	37,675,664
<u>Less Accumulated amortization</u>					
Software licenses	(9,431,776)	(4,264,545)	-	-	(13,696,321)
Total	(9,431,776)	(4,264,545)	-	-	(13,696,321)
Intangible asset-net	27,301,349				23,979,343

	Baht		
	Consolidate financial statements	Separate financial statements	
	2019	2019	2018
Amortization cost for the years			
- cost of sale	832,181	832,181	766,137
- selling and administrative expenses	3,466,641	3,466,641	3,498,408
Total	<u>4,298,822</u>	<u>4,298,822</u>	<u>4,264,545</u>

As at December 31, 2019 and 2018, the Company and its subsidiary had intangible assets which were fully depreciated but still in use with the cost price of Baht 1.96 million and Baht 1.05 million, respectively (for the Company's only amounting to Baht 1.96 million and Baht 1.05 million, respectively).

#### 16. TRADE AND OTHER PAYABLES

Trade and other payables were consisted of:

	Baht		
	Consolidated financial statements	Separate financial statements	
	2019	2019	2018
Trade payables			
Trade payables - other companies	<u>104,648,825</u>	<u>104,648,825</u>	<u>128,374,706</u>
Other payables			
Accrued commission expenses	16,746,476	16,746,476	15,545,412
Accrued bonus	18,568,265	18,568,265	17,851,309
Advance from customers for goods and services	34,517,307	28,141,860	29,354,624
Other accrued expenses	16,005,979	15,848,452	13,602,482
Other	3,917,332	3,917,332	5,452,525
Total	<u>89,755,359</u>	<u>83,222,385</u>	<u>81,806,352</u>
Total trade and other payables	<u>194,404,184</u>	<u>187,871,210</u>	<u>210,181,058</u>

## 17. DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

Changes in deferred tax assets and deferred tax liabilities for the years ended December 31, 2019 and 2018 were summarized as follows:

	Baht			
	Consolidated financial statements/Separate financial statements			
	Balance as at Dec. 31, 2018	Income (expenses) during the year		
	In profit or loss	In other comprehensive income		
Deferred tax assets:				
Allowance for doubtful accounts	1,115,423	349,813	-	1,465,236
Allowance for devaluation of inventories	3,227,460	1,651,328	-	4,878,788
Allowance for impairment of investment	1,195	-	-	1,195
Employee's benefit obligations	2,866,936	1,468,209	397,220	4,732,365
Foreign currency forward contracts	95,029	34,584	-	129,613
Total	<u>7,306,043</u>	<u>3,503,934</u>	<u>397,220</u>	<u>11,207,197</u>
Deferred tax liabilities:				
Inventories (from fair value adjustment of business combination)	160,355	50,217	-	110,138
Equipment (from fair value adjustment of business combination)	466,447	262,334	-	204,113
Unrealized gain (loss) on temporary investments	257,061	(393,350)	-	650,411
Customer relationship (from fair value adjustment of business combination)	14,636,181	2,980,218	-	11,655,963
Depreciation of equipment	206,135	17,330	-	188,805
Finance lease assets	1,324,826	760,761	-	564,065
Total	<u>17,051,005</u>	<u>3,677,510</u>	<u>-</u>	<u>13,373,495</u>
Deferred tax assets (liabilities) - net	<u>(9,744,962)</u>			<u>(2,166,298)</u>
Deferred tax income (expenses) - net		<u>7,181,444</u>	<u>397,220</u>	

	Baht				
	Separate financial statements				
	Balance as at	Income (expenses) during the year			Balance as at
	Dec. 31, 2017	In profit or loss	In other comprehensive income		Dec. 31, 2018
Deferred tax assets:					
Allowance for doubtful accounts	881,759	233,664	-	1,115,423	
Allowance for devaluation of inventories	2,682,624	544,836	-	3,227,460	
Allowance for impairment of investment	1,195	-	-	1,195	
Employee's benefit obligations	2,507,594	359,342	-	2,866,936	
Foreign currency forward contracts	115,358	(20,329)	-	95,029	
Total	<u>6,188,530</u>	<u>1,117,513</u>	<u>-</u>	<u>7,306,043</u>	
Deferred tax liabilities:					
Inventories (from fair value adjustment of business combination)	257,334	96,979	-	160,355	
Equipment (from fair value adjustment of business combination)	833,261	366,814	-	466,447	
Unrealized gain (loss) on temporary investments	363,008	105,947	-	257,061	
Customer relationship (from fair value adjustment of business combination)	17,616,400	2,980,219	-	14,636,181	
Depreciation of equipment	274,637	68,502	-	206,135	
Finance lease assets	298,687	(1,026,139)	-	1,324,826	
Total	<u>19,643,327</u>	<u>2,592,322</u>	<u>-</u>	<u>17,051,005</u>	
Deferred tax assets (liabilities) - net	<u>(13,454,797)</u>			<u>(9,744,962)</u>	
Deferred tax income (expenses) - net		<u>3,709,835</u>	<u>-</u>		

## 18. EMPLOYEE'S BENEFIT OBLIGATIONS

Movements of employee's benefit obligations for the years ended December 31, 2019 and 2018 were as follows:

	Baht		
	Consolidated financial statements	Separate financial statements	
	2019	2019	2018
Beginning balance defined benefit obligations	16,670,899	16,670,899	14,897,993
Past service costs and interest			
- change a post-employment plan amendment	3,900,264	3,900,264	-
Current service costs and interest	3,585,585	3,585,585	1,772,906
Actuarial (gain) loss	1,986,098	1,986,098	-
Benefits paid by the plan	(629,000)	(629,000)	
Ending balance defined benefit obligations	<u>25,513,846</u>	<u>25,513,846</u>	<u>16,670,899</u>

The statements of comprehensive income for the years ended December 31, 2019 and 2018 are as follows:

	Baht		
	Consolidated financial Statements	Separate financial Statements	
	2019	2019	2018
Past service costs	3,900,264	3,900,264	-
Current service costs			
Cost of sales	639,553	639,553	207,419
Selling expenses	1,685,793	1,685,793	478,869
Administrative expenses	712,468	712,468	673,138
Interest on obligation	547,771	547,771	413,480
	<u>3,585,585</u>	<u>3,585,585</u>	<u>1,772,906</u>
Total	<u>7,485,849</u>	<u>7,485,849</u>	<u>1,772,906</u>

Principal actuarial assumptions at the reporting date for the years ended December 31, 2019 and 2018 are as follow:

	Percentage		
	Consolidated financial statements	Separate financial statements	
	2019	2019	2018
Discount rate	1.50 - 1.80	1.50 - 1.80	2.40 - 2.99
Salary increase rate	4.50	4.50	4.50
Employee turnover rate	4.78 - 28.65	4.78 - 28.65	4.78 - 28.65
Mortality rate	Thai Mortality Ordinary Table 2017	Thai Mortality Ordinary Table 2017	Thai Mortality Ordinary Table 2017

#### Sensitivity analysis

The results of sensitivity analysis for significant assumptions that affect the present value of the long-term employee benefit obligations as at December 31, 2019 and 2018 are summarized below:

	2019			
	Consolidated financial statements/Separate financial statements			
	%		Baht	
	increase	decrease	increase	decrease
Discount rate	2.30 - 2.50	(1.00) - (1.30)	(2,441,549)	2,860,592
Salary increase rate	1	(1)	2,351,558	(2,043,907)
Turnover rate	20	(20)	(2,937,513)	3,609,038
Mortality rate	20	(20)	(284,311)	288,500
	2018			
	Separate financial statements			
	%		Baht	
	increase	decrease	increase	decrease
Discount rate	2.90 - 3.49	(1.90) - (2.49)	(747,102)	804,187
Salary increase rate	1	(1)	1,481,105	(1,289,997)
Turnover rate	20	(20)	(1,970,811)	2,420,057
Mortality rate	20	(20)	(184,305)	187,015



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. This change is considered a post-employment benefits plan amendment. The Company recognized the increase in the employee benefit obligations approximately Baht 3.90 million, resulting in the decrease in profit approximately Baht 3.90 million in profit or loss for the year ended December 31, 2019.

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 <sup>st</sup> year - 2 <sup>st</sup> year, cannot sell any shares After the 2 <sup>nd</sup> year, can sell 25% of accumulated shares After the 3 <sup>rd</sup> year, can sell 50% of accumulated shares After the 4 <sup>th</sup> year, can sell 75% of accumulated shares After the 5 <sup>th</sup> year, can sell all shares
EJIP program manager	Philip Securities (Thailand) Public Company Limited

During the years 2019 and 2018, the Company and its subsidiary contributed Baht 4.22 million and Baht 4.30 million, respectively (for the Company's only amounting to Baht 4.22 million and Baht 4.30 million, respectively), to the program.

20. 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.

## 21. 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.

## 22. APPROPRIATION OF RETAINED EARNINGS

According to the Annual General Meeting of Shareholders No. 1/2019, held on April 25, 2019, the shareholders approved the appropriation of legal reserve at 5% of annual net profit in the amount of Baht 6,717,937 on 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 Baht 93,519,936. The dividend was paid on May 17, 2019.

According to the Company's Board of Directors No. 2/2018, held on February 23, 2018, the directors passed the resolution to declare dividend at Baht 0.14 per share for 584,500,000 issued and paid up ordinary shares, in total amount of Baht 81,830,000. The dividend declaration had been approved from Annual General Shareholders' Meeting No. 1/2018 on April 28, 2018.

## 23. 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, 2019 and 2018, the Company and its subsidiary paid contributions to provident fund and recognized as expenses amounting to Baht 3.82 million and Baht 3.69 million, respectively (for the Company's only amounting to Baht 3.82 million and Baht 3.69 million, respectively).

## 24. 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 and its subsidiary 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 consolidated statement of comprehensive income for the ended December 31, 2019 were as follows:

	Thousand Baht				
	Consolidated financial statements				
	2019				
	Segment 1	Segment 2	Segment 3	Segment 4	Total
Revenue from sale of goods	547,642	81,097	262,005	345,299	1,236,043
Revenue from rendering of services	96,479	-	-	34,361	130,840
Cost of sale of goods	(398,254)	(58,695)	(174,115)	(196,846)	(827,910)
Cost of rendering of services	(88,807)	-	-	(31,976)	(120,783)
Gross profit	<u>157,060</u>	<u>22,402</u>	<u>87,890</u>	<u>150,838</u>	418,190
Other income					27,091
Selling expenses					(117,556)
Administrative expenses					(140,780)
Finance cost					-
Profit before income tax expense					186,945
Income tax expense					<u>(37,326)</u>
Profit for the periods					149,619
Other comprehensive income (expense)					<u>(1,642)</u>
Total comprehensive income for the years					<u>147,977</u>

Operating segment by business in the statement of comprehensive income for the years ended December 31, 2019 and 2018 were as follows:

	Thousand Baht									
	Separate financial statements									
	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	547,642	81,097	262,005	348,002	1,238,746	455,822	89,327	320,394	333,420	1,198,963
Revenue from rendering of services	96,479	-	-	34,361	130,840	113,762	-	-	31,540	145,302
Cost of sale of goods	(398,254)	(58,695)	(174,115)	(199,053)	(830,117)	(321,577)	(66,951)	(220,849)	(193,132)	(802,509)
Cost of rendering of services	(88,807)	-	-	(31,976)	(120,783)	(98,996)	-	-	(29,722)	(128,718)
Gross profit	<u>157,060</u>	<u>22,402</u>	<u>87,890</u>	<u>151,334</u>	418,686	<u>149,011</u>	<u>22,376</u>	<u>99,545</u>	<u>142,106</u>	413,038
Other income					27,089					11,749
Selling expenses					(117,457)					(119,078)
Administrative expenses					(140,401)					(138,203)
Finance cost					-					-
Profit before income tax expense					187,917					167,506
Income tax expense					(37,326)					(33,148)
Profit for the years					150,591					134,358
Other comprehensive income (expense)					(1,589)					-
Total comprehensive income for the years					<u>149,002</u>					<u>134,358</u>

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

	Thousand Baht				
	Consolidated financial statements				
	2019				
	Segment 1	Segment 2	Segment 3	Segment 4	Total
Assets for reportable segments					
Trade receivables - other companies	144,452	21,196	61,169	61,850	288,667
Inventories	144,012	9,518	73,452	78,058	305,040
Goodwill	-	-	200,066	134,606	334,672
Customer relationship	-	-	42,092	16,188	58,280
Assets under common use					
- Investment property	-	-	-	-	229,967
- Plant and equipment	-	-	-	-	30,667
- Intangible assets	-	-	-	-	20,947
- Others	-	-	-	-	328,057
Total assets for reportable segments	<u>288,464</u>	<u>30,714</u>	<u>376,779</u>	<u>290,702</u>	<u>1,596,297</u>
Total liabilities for reportable segments		-	-	-	<u>274,635</u>

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

	Thousand Baht									
	Separate financial Statements									
	2019					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	144,452	21,196	61,169	64,857	291,674	117,937	21,920	64,915	58,337	263,109
Inventories	144,012	9,518	73,452	75,800	302,782	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	-	-	42,092	16,188	58,280	-	-	52,858	20,322	73,180
Assets under common use										
- Investment property	-	-	-	-	229,967	-	-	-	-	231,818
- Plant and equipment	-	-	-	-	30,667	-	-	-	-	32,681
- Intangible assets	-	-	-	-	20,947	-	-	-	-	23,979
- Others	-	-	-	-	321,799	-	-	-	-	284,708
Total assets for reportable segments	<u>288,464</u>	<u>30,714</u>	<u>376,779</u>	<u>291,451</u>	<u>1,590,788</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	-	-	-	-	268,100	-	-	-	-	281,381

For the years ended December 31, 2019 and 2018, there was no revenue from sales and service with a single external customers contributed 10% or more to the total revenue.

25. EXPENSE BY NATURE

Expenses by nature for the years ended December 31, 2019 and 2018 consist of the significant expenses were as follows:

	Baht		
	Consolidated	Separate financial statements	
	financial statements		
	2019	2019	2018
Purchases of finished goods	832,948,759	832,899,082	813,401,193
Other changes in finished goods and work in process	1,656,821	1,656,821	(13,173,221)
Employee expenses	200,061,724	199,950,186	196,747,200
Office rental and service expenses	14,156,410	14,138,804	14,249,352
Depreciation and amortization	31,622,613	31,622,613	31,259,117
Others	126,582,495	128,491,533	146,026,057
Total	<u>1,207,028,822</u>	<u>1,208,759,039</u>	<u>1,188,509,698</u>

26. INCOME TAX EXPENSE (TAX INCOME)

26.1 Major components of income tax expense (tax income)

For the years ended December 31, 2019 and 2018 consisted of:

	Baht		
	Consolidated	Separate financial statements	
	financial statements		
	2019	2019	2018
Income tax expense shown in profit or loss :			
Current tax expense:			
Income tax expense for the years	44,507,315	44,507,315	36,858,056
Deferred tax expense (income):			
Changes in temporary differences relating to the original recognition and reversal	(7,181,444)	(7,181,444)	(3,709,835)
Total	<u>37,325,871</u>	<u>37,325,871</u>	<u>33,148,221</u>
Income tax relating to components of other comprehensive income:			
Deferred tax expenses (income) relating to Actuarial gain (losses) on defined employee benefits plans	(397,219)	(397,219)	-
Total	<u>(391,219)</u>	<u>(397,219)</u>	<u>-</u>

26.2 A numerical reconciliation between income tax expense and the product of accounting profit multiplied by the applicable tax rate.

For the years ended December 31, 2019 and 2018, which were summarized as follows:

	Baht		
	Consolidated financial statements	Separate financial statements	
	2019	2019	2018
Accounting profit for the years	186,945,274	187,917,370	167,506,975
The applicable tax rate (%)	20%	20%	20%
Income tax expense at the applicable tax rate	37,389,055	37,583,474	33,501,395
Reconciliation items:			
Tax effect of expenses that are not deductible in determining tax profit:			
- Expenses not allowed as expenses in determining taxable profit	185,860	185,860	20,775
Addition expenses deductible for tax purpose	(443,463)	(443,463)	(373,949)
Unrecognized deferred tax			
Asset from loss carry forward	194,419	-	-
Total reconciliation items	(63,184)	(257,603)	(353,174)
Total tax expense (income)	37,325,871	37,325,871	33,148,221

26.3 A numerical reconciliation between the average effective tax rate and the applicable tax rate.

For the years ended December 31, 2019 and 2018 were summarized as follows:

	Consolidated financial statements			
	2019			
	Tax amount (Baht)	Tax rate (%)	Tax amount (Baht)	Tax rate (%)
Accounting profit before income tax expense for the years	186,945,274			
Income tax expense at the applicable tax rate	37,389,055	20.00		
Reconciliation items	(63,184)	(0.03)		
Income tax expense at the average effective tax rate	37,325,871	19.97		

  

	Consolidated financial statements/Separate financial statements			
	2019		2018	
	Tax amount (Baht)	Tax rate (%)	Tax amount (Baht)	Tax rate (%)
Accounting profit before income tax expense for the years	187,917,370		167,506,975	
Income tax expense at the applicable tax rate	37,583,474	20.00	33,501,395	20.00
Reconciliation items	(257,603)	(0.14)	(353,174)	(0.21)
Income tax expense at the average effective tax rate	37,325,871	19.86	33,148,221	19.79

## 27. BASIC EARNINGS PER SHARE

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

	Consolidated	Separate financial statements	
	financial statements	2019	2018
Profit for the years (Baht)	149,619,403	150,591,499	134,358,754
Weighted average number of ordinary shares (Shares)	584,500,000	584,500,000	584,500,000
Basic earnings per share (Baht per share)	0.26	0.26	0.23

## 28. COMMITMENTS AND CONTINGENT LIABILITIES

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

28.1 As at December 31, 2019 and 2018, the Company and its subsidiary have letters of guarantee issued by banks for goods and work under system installation service agreement of:

	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
Million Bath	26.98	21.86	26.98	21.86
Million US dollars	0.27	-	0.27	-

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

Type of credit	Consolidated financial statements			
	Facilities (Million Baht)		Referred interest rate (% per annum)	
	2019	2018	2019	2018
Bank overdrafts	11.00		MOR	
Letter of credit/trust receipt	160.00		MLR-1,MMR	
Letter of guarantee	54.00		1.25 - 2%	
Forward exchange contracts	562.39		-	
Promissory notes	5.00		MLR	
Total	792.39			
Forward foreign exchange contracts (Million US dollars)		7.00		
Type of credit	Separate financial statements			
	Facilities (Million Baht)		Referred interest rate (% per annum)	
	2019	2018	2019	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	1.25 - 2%	1.65 - 2%
Forward exchange contracts	562.39	562.39		
Promissory notes	5.00	5.00	MLR	MLR
Up country check purchase	-	-		
Total	792.39	792.39		
Forward foreign exchange contracts (Million US dollars)	7.00	3.00		



28.3 Minimum lease and service payments are as follows :

Payment periods	Million Baht		
	Consolidated financial statements	Separate financial statements	
	2019	2019	2018
Due not later than 1 year	10.10	9.86	11.92
Due later than 1 year but not later than 5 years	11.71	11.71	1.57

Rental and service expenses for the years ended December 31, 2019 and 2018 are Baht 14.14 million and Baht 14.25 million, respectively (for the Company's only to Baht 14.14 million and Baht 14.25 million, respectively).

## 29. FAIR VALUE MEASUREMENT

The Company and its subsidiary 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 and its subsidiary 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, 2019 and 2018, the Company and its subsidiary had the following financial assets and liabilities that were measured at fair value on which the fair value hierarchy is classified as follows :

	Baht			
	Consolidated financial statements/Separate financial statement			
	2019			
	Level 1	Level 2	Level 3	Total
Financial assets (liabilities) measured at fair value				
Investments in bond	-	59,620,756	-	59,620,756
Investments in investment units	-	64,857,167	-	64,857,167
Foreign currency forward contracts	-	135,819	-	135,819

	Baht			
	Separate financial statements			
	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 December 31, 2019 and 2018.

Financial assets and financial liabilities	Fair value (Baht)		Fair value Hierarchy	Valuation techniques and key inputs for fair value measurement
	Consolidated financial statements/Separate financial statements	Separate financial statements		
	2019	2018		
<b>Financial assets (liabilities)</b>				
Foreign currency forward contracts	135,819	(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.

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 and its subsidiary 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.

### 30. FINANCIAL INSTRUMENTS

#### Financial risk management policies

The Company and its subsidiary are 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 and its subsidiary do not hold or use derivative financial instruments for speculative or trading purposes.

Risk management is integral to the whole business of the Company and its subsidiary. The Company and its subsidiary have 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 and its subsidiary are 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 and its subsidiary define 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 and its subsidiary are exposed to foreign currency risk relating to purchases which are denominated in foreign currencies. The Company and its subsidiary primarily utilize 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, 2019 and 2018, the Company and its subsidiary have financial liabilities in foreign currencies as follows;

	Foreign Currencies		
	Consolidated	Separate financial statements	
	financial statements		
	2019	2019	2018
Not hedged			
US dollar	119,663	119,663	324,629
SG dollar	-	-	1,000
EURO	35,902	35,902	266,459

#### 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 and its subsidiary are customer base, management does not anticipate material losses from its debt collection.

#### Liquidity risk

The Company and its subsidiary monitor its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Company's and its subsidiary's operations and to mitigate the effects of fluctuations in cash flows.

### 31. EVENT AFTER THE REPORTING PERIOD

#### 31.1 Guarantee

As at January 7, 2020, The Company has guaranteed the product cost to Harn Vietnam Co., Ltd. "subsidiary" in Vietnam under the product sale agreement in the full amount of 472,586 Pound Sterling.

31.2 Dividend payment

According to the resolution of the Board of Directors' Meeting No. 1/2020 held on February 27, 2020, the Board of Directors approved dividend payment at Baht 0.18 per share for 584,500,000 issued and paid up ordinary shares, in total amount of Baht 105,210,000. The dividend declaration will be proposed to the next Annual General Shareholders' Meeting for approval.

32. RECLASSIFICATIONS

Certain reclassifications have been made in the statements of profit or loss and other comprehensive income for the years ended December 31, 2018 to conform to the classifications used in the statements of profit or loss and other comprehensive income for the years ended December 31, 2019 as follows:

	Baht		
	Separate financial statements		
	For the year ended December 31, 2018		
	As previously reported	Increase (decrease)	As reclassified
Selling expenses	118,974,255	104,529	119,078,784
Administrative expenses	138,307,328	(104,529)	138,202,799

33. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were authorized for issue by the Board of Directors of the Company on February 27, 2020.