

HARN ENGINEERING SOLUTIONS PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY

**REVIEW REPORT AND INTERIM FINANCIAL INFORMATION
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2020**

INDEPENDENT AUDITOR’S REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

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

I have reviewed the accompanying consolidated statement of financial position of Harn Engineering Solutions Public Company Limited and its subsidiary as at March 31, 2020 and the related consolidated statement of comprehensive income, changes in shareholders’ equity and cash flows for the three-month period then ended and the condensed consolidated notes to financial statements and have reviewed the separate financial information of Harn Engineering Solutions Public Company Limited as well. Management is responsible for the preparation and presentation of this interim financial information in accordance with Thai Accounting Standard No. 34 “Interim Financial Reporting”. My responsibility is to express a conclusion on this interim financial information based on my review.

SCOPE OF REVIEW

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

CONCLUSION

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

OTHER MATTER

Due to the impact of COVID-19 outbreak situation, the Company has postponed the annual general meeting of the Company's shareholders which results in no resolution for the appointment of the auditor of the Company for the accounting period of 2020 yet. However, the Board of Director of the Company has a resolution to propose to the annual general meeting of the Company's shareholders to appoint me as the auditor of the Company for the accounting period of 2020. I therefore have conducted my review on the interim financial information for first quarter of 2020 which is in compliance with the notification of the Capital Market Supervisory Board (CMSB) No. TorChor. 28/2563 dated 27 March 2020.

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

Dharmniti Auditing Company Limited
Bangkok, Thailand
May 14, 2020

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HARN ENGINEERING SOLUTIONS PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2020

		<u>ASSETS</u>				
		Baht				
		<u>Consolidated financial statements</u>		<u>Separate financial statements</u>		
		<u>As at March</u>	<u>As at December</u>	<u>As at March</u>	<u>As at December</u>	
Note		<u>31, 2020</u>	<u>31, 2019</u>	<u>31, 2020</u>	<u>31, 2019</u>	
CURRENT ASSETS						
	Cash and cash equivalents	184,184,551	127,099,721	179,790,327	120,123,681	
	Temporary investments	10	-	124,477,923	-	124,477,923
	Trade and other current receivables	6	294,016,411	316,114,477	291,780,642	319,085,352
	Current portion of lease receivables	7	6,824,900	6,837,622	6,824,900	6,837,622
	Unbilled receivables		10,905,389	9,566,298	10,905,389	9,566,298
	Short-term loans to related subsidiary	8	-	-	6,502,500	-
	Inventories	9	310,213,433	305,039,856	288,658,565	302,782,483
	Other current financial assets	10	122,911,895	-	122,911,895	-
	Other current assets		548,048	726,617	214,503	422,726
	TOTAL CURRENT ASSETS		929,604,627	889,862,514	907,588,721	883,296,085
NON-CURRENT ASSETS						
	Other non-current financial assets		241,845	241,845	241,845	241,845
	Lease receivables	7	8,856,467	7,990,909	8,856,467	7,990,909
	Investment in subsidiary	11	-	-	1,057,444	1,057,444
	Investment property	12	229,507,454	229,967,576	229,507,454	229,967,576
	Property and equipment	13	30,527,252	30,666,742	30,470,645	30,666,742
	Right-of-use assets	14	2,580,067	-	2,580,067	-
	Goodwill	15	334,672,061	334,672,061	334,672,061	334,672,061
	Customer relationship	16	54,564,745	58,279,813	54,564,745	58,279,813
	Intangible assets	17	20,021,811	20,947,073	20,021,811	20,947,073
	Deferred tax assets		1,284	-	-	-
	Other non-current assets		24,543,786	23,668,992	24,543,786	23,668,992
	TOTAL NON-CURRENT ASSETS		705,516,772	706,435,011	706,516,325	707,492,455
	TOTAL ASSETS		1,635,121,399	1,596,297,525	1,614,105,046	1,590,788,540

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

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HARN ENGINEERING SOLUTIONS PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY
STATEMENT OF FINANCIAL POSITION (CONT.)
AS AT MARCH 31, 2020

LIABILITIES AND SHAREHOLDERS' EQUITY

		Baht			
		Consolidated financial statements		Separate financial statements	
		As at March	As at December	As at March	As at December
		31, 2020	31, 2019	31, 2020	31, 2019
			(Reclassified		(Reclassified
			Note 25)		Note 25)
	Note				
CURRENT LIABILITIES					
Trade and other current payables	18	192,878,407	199,838,320	171,785,942	193,303,574
Current portion of lease liabilities	19	890,140	-	890,140	-
Corporate income tax payable		29,416,511	21,183,499	29,301,268	21,183,499
Other current provisions		1,641,253	1,455,735	1,641,252	1,455,735
Other current liabilities		1,444,926	1,113,258	1,444,926	1,113,259
TOTAL CURRENT LIABILITIES		226,271,237	223,590,812	205,063,528	217,056,067
NON-CURRENT LIABILITIES					
Lease liabilities	19	1,695,970	-	1,695,970	-
Deferred tax liabilities		1,372,576	2,166,298	1,372,576	2,166,298
Non-current provisions for employee benefit		26,156,591	25,513,846	26,156,591	25,513,846
Other non-current liabilities		23,260,550	23,364,196	23,260,550	23,364,196
TOTAL NON-CURRENT LIABILITIES		52,485,687	51,044,340	52,485,687	51,044,340
TOTAL LIABILITIES		278,756,924	274,635,152	257,549,215	268,100,407

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HARN ENGINEERING SOLUTIONS PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY
STATEMENT OF FINANCIAL POSITION (CONT.)
AS AT MARCH 31, 2020

LIABILITIES AND SHAREHOLDERS' EQUITY (CONT.)

		Baht			
		Consolidated financial statements		Separate financial statements	
		As at March	As at December	As at March	As at December
Note		31, 2020	31, 2019	31, 2020	31, 2019
SHAREHOLDERS' EQUITY					
Share capital					
Authorized share capital					
	584,500,000 ordinary shares of Baht 0.50 each	292,250,000	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	292,250,000
	Share premium on ordinary shares	776,416,427	776,416,427	776,416,427	776,416,427
Retained earnings					
Appropriated					
	Legal reserve	29,225,000	29,225,000	29,225,000	29,225,000
	Unappropriated	258,625,093	223,824,610	258,664,404	224,796,706
	Other components of shareholders' equity	(152,045)	(53,664)	-	-
TOTAL SHAREHOLDERS' EQUITY		1,356,364,475	1,321,662,373	1,356,555,831	1,322,688,133
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,635,121,399	1,596,297,525	1,614,105,046	1,590,788,540

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

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HARN ENGINEERING SOLUTIONS PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY
STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE-MONTH PERIOD ENDED MARCH 30, 2020

	Note	Baht		
		Consolidated	Separate financial statements	
		financial statements		
		2020	2020	2019
Revenues				
Revenues from sales		275,525,078	273,815,827	303,969,932
Revenue from rendering of services		28,767,650	28,767,650	26,354,710
Other income		6,373,384	5,296,413	8,409,260
Total revenues		<u>310,666,112</u>	<u>307,879,890</u>	<u>338,733,902</u>
Expenses				
Cost of sales		178,848,582	177,770,587	208,583,404
Cost of rendering of services		25,522,103	25,522,103	27,489,762
Distribution cost		29,077,852	28,645,735	27,281,085
Administrative expenses		33,885,472	33,656,093	35,282,826
Total expenses		<u>267,334,009</u>	<u>265,594,518</u>	<u>298,637,077</u>
Profit from operating activities		43,332,103	42,285,372	40,096,825
Finance cost		27,721	27,721	-
Profit before income tax expenses		43,304,382	42,257,651	40,096,825
Income tax expenses		8,503,899	8,389,953	7,899,462
Profit for the period		<u>34,800,483</u>	<u>33,867,698</u>	<u>32,197,363</u>
Other comprehensive income				
Item that may be reclassified subsequently to profit or loss:				
Currency translation differences of the financial statement of foreign subsidiary		(98,381)	-	-
		<u>(98,381)</u>	<u>-</u>	<u>-</u>
Other comprehensive income (expense) for the period, net of tax		(98,381)	-	-
Total comprehensive income for the period		<u>34,702,102</u>	<u>33,867,698</u>	<u>32,197,363</u>
Basic earnings per share	21			
Profit attributable to owners of the parent		0.06	0.06	0.06
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 interim financial statements form an integral part of these interim financial statements

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HARN ENGINEERING SOLUTIONS PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE THREE-MONTH PERIOD ENDED MARCH 30, 2020

	Baht					
	Consolidated financial statements					
	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, 2020	292,250,000	776,416,427	29,225,000	223,824,610	(53,664)	1,321,662,373
Total comprehensive income for the period						
Profit for the period	-	-	-	34,800,483	-	34,800,483
Other comprehensive income (expense) for the period	-	-	-	-	(98,381)	(98,381)
Ending balance as at March 31, 2020	292,250,000	776,416,427	29,225,000	258,625,093	(152,045)	1,356,364,475

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

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HARN ENGINEERING SOLUTIONS PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (CONT.)
FOR THE THREE-MONTH PERIOD ENDED MARCH 30, 2020

	Baht				
	Separate financial statements				
	Issued and paid-up share capital	Premium on ordinary shares	Retained earnings		Total shareholders' equity
Note		Appropriated legal reserve	Unappropriated		
Beginning balance as at January 1, 2019	292,250,000	776,416,427	27,068,831	171,470,190	1,267,205,448
Total comprehensive income for the period	-	-	-	32,197,363	32,197,363
Ending balance as at March 31, 2019	<u>292,250,000</u>	<u>776,416,427</u>	<u>27,068,831</u>	<u>203,667,553</u>	<u>1,299,402,811</u>
Beginning balance as at January 1, 2020	292,250,000	776,416,427	29,225,000	224,796,706	1,322,688,133
Total comprehensive income for the period					
Profit for the period	-	-	-	33,867,698	33,867,698
Other comprehensive income for the period	-	-	-	-	-
Ending balance as at March 31, 2020	<u>292,250,000</u>	<u>776,416,427</u>	<u>29,225,000</u>	<u>258,664,404</u>	<u>1,356,555,831</u>

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

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HARN ENGINEERING SOLUTIONS PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY
STATEMENT OF CASH FLOWS

FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2020

	Baht		
	Consolidated	Separate financial statements	
	financial statements		
	2020	2020	2019
Cash flows from operating activities			
Profit for the period	34,800,483	33,867,698	32,197,363
Adjustment to reconcile profit for the period to net cash provided by (used in) operating activities :			
Bad debt and allowance for doubtful account (reversal)	47,377	41,091	913,732
Depreciation and amortization	4,418,545	4,415,906	4,271,818
Amortization of customer relationship	3,715,068	3,715,068	3,674,243
Loss on devaluation of inventories	1,000,856	1,000,856	1,704,741
(Gain) loss on disposals of equipment	36,683	36,683	70,845
Unrealized (gain) loss on exchange rate	(210,771)	(346,038)	177,812
(Gain) loss on disposals of investment	-	-	(44,156)
Unrealized (gain) loss on revaluation of other current financial assets	1,752,498	1,752,498	(911,561)
Interest income	(188,852)	(210,764)	(3,346)
Employee's benefit expenses	642,745	642,745	530,769
Finance cost	27,721	27,721	-
Income tax expense	8,503,899	8,389,953	7,899,462
Profit from operating before changes in operating assets and liabilities	54,546,252	53,333,417	50,481,722
(Increase) decrease in operating assets			
Trade and other current receivables	25,399,352	27,421,564	14,803,068
Lease receivables	(880,187)	(880,187)	2,704,937
Unbilled receivables	(1,362,040)	(1,362,040)	44,089
Inventories	(7,594,700)	11,702,795	(21,301,618)
Other current assets	178,569	208,223	(415,761)
Other non-current assets	(874,794)	(874,794)	(969,658)

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

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HARN ENGINEERING SOLUTIONS PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY
STATEMENT OF CASH FLOWS (CONT.)

FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2020

	Baht		
	Consolidated	Separate financial statements	
	financial statements	2020	2019
Increase (decrease) in operating liabilities			
Trade and other current payables	(9,777,228)	(21,061,850)	(20,770,220)
Short-term provisions	185,518	185,518	182,655
Other current liabilities	331,668	331,668	166,898
Non-current provisions for employee benefit	-	-	(635,290)
Other non-current liabilities	(103,646)	(103,646)	929,658
Cash generated (paid) from operating	60,048,764	68,900,668	25,220,480
Income tax paid	(1,065,906)	(1,065,906)	(1,030,525)
Net cash provided by (used in) operating activities	58,982,858	67,834,762	24,189,955
Cash flows from investing activities			
Cash receipts from redemption of temporary investments	-	-	20,000,000
Cash payments for purchase of temporary investments	-	-	(54,000,000)
Cash payments for short-term loans	-	(6,352,000)	-
Cash payments for purchase of equipment	(1,664,454)	(1,605,151)	(488,880)
Cash receipts from disposal of equipment	60,319	60,319	741,121
Cash payments for purchases of intangible assets	(17,436)	(17,436)	(104,000)
Interest received	2,382	2,382	3,346
Net cash provided by (used in) investing activities	(1,619,189)	(7,911,886)	(33,848,413)
Cash flows from financing activities			
Cash payments for lease liabilities	(256,230)	(256,230)	-
Net cash provided by (used in) financing activities	(256,230)	(256,230)	-

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

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HARN ENGINEERING SOLUTIONS PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY

STATEMENT OF CASH FLOWS (CONT.)

FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2020

	Baht		
	Consolidated	Separate financial statements	
	financial statements		
	2020	2020	2019
Net increase (decrease) in cash and cash equivalents	57,107,439	59,666,646	(9,658,458)
Cash and cash equivalents at beginning of period	127,099,721	120,123,681	29,310,563
Effect of translation adjustment on foreign currency financial statements	(22,609)	-	-
Cash and cash equivalents at end of period	184,184,551	179,790,327	19,652,105
Supplementally 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 period			
	475,280	475,280	426,371
Inventories transferred to equipment	(1,420,267)	(1,420,267)	(2,862,998)
<u>Add</u> Purchases of equipment and intangible assets	2,756,179	2,696,876	3,133,707
<u>Less</u> Cash payments	(1,681,890)	(1,622,587)	(592,880)
Liabilities incurred from acquisition of fixed assets and intangible assets - ending of period	129,302	129,302	104,200

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

HARN ENGINEERING SOLUTIONS PUBLIC COMPANY LIMITED AND ITS SRSIDIARY
NOTES TO THE INTERIM FINANCIAL STATEMENTS
MARCH 31, 2020

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, Bangkok, 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:

5th 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 interim financial statements

These interim financial statements are prepared in accordance with Thai Accounting Standard No. 34 “Interim Financial Reporting”, and the requirements of the Securities and Exchange Commission (SEC). The interim financial statements are intended to provide information additional to that included in the latest annual financial statements. Accordingly, they focus on new activities, events, and situations and not intended to re-emphasis on the information previously reported. The interim financial statements should therefore, be read in conjunction with the financial statements for the year ended December 31, 2019.

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

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

2.2 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		Country of establishment
		As at March 31, 2020	As at December 31, 2019	
Direct shareholding				
Harn Vietnam Co., Ltd.	Printing equipment	100.00	100.00	Vietnam

The Company had purchased the investment in Harn Vietnam Co., Ltd. at 100% of total number of shared 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 subsidiary have adopted the revised and new financial reporting standards, interpretations and the accounting guidance, 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:

TFRS 7	Financial Instruments: Disclosures
TFRS 9	Financial Instruments
TAS 32	Financial Instruments: Presentation
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.

The Company and its subsidiary have adopted TFRS related to financial instruments the first-time in its financial statements by applying modified retrospective approach of adoption of which the cumulative effect as an adjustment to the retained earnings as at January 1, 2020 and the comparative information was not restated. The cumulative effect of the change is described in Note 4 to the interim financial statements.

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.

As at January 1, 2020, the Company and its subsidiary had adopted TFRS 16, which the Company and its subsidiary recognized the cumulative effects of the initial application of this financial reporting standard without restated the previous year's financial statements presented for comparative. However, the Company and its subsidiary had chosen to comply with this financial reporting standard with the lease that was previously classified as operating lease by recognizing the liabilities under the lease as at January 1, 2020 with the present value of the remaining lease payment and discounted by the interest rate of the additional borrowing of the Company its subsidiary as at

the initial application date. It was recognized the contractual use rights in the amount of liabilities under lease agreements adjusted by the amount of the prepaid or accrued lease payments which were related to the lease agreement recognized in the statement of financial position before the date of application of this financial reporting standard.

The effect of the change in accounting policy is stated in Note 4 to the interim financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in preparing the interim financial statements are the same accounting policies used in the preparation of the annual financial statements for the year ended December 31, 2019, except for the change in accounting policies according to the Company and its subsidiaries have adopted TFRS 9, Financial Instruments and group of financial reporting standards relate to financial instruments and TFRS 16 Leases which are effective on January 1, 2020, as follows:

3.1 Trade receivables

Trade receivables are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognized at its present value.

Trade and other receivables are stated at the amount expected to be collectible, The Company and its subsidiaries apply the TFRS 9 simplified approach to measuring expected credit losses which uses a simplified approach, which requires expected lifetime losses to be recognised from initial recognition of the receivables. To measure the expected credit losses, trade receivables have been grouped based on the days past due. The expected loss rates are based on the payment profiles and the corresponding historical credit losses which are adjusted to reflect the current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company and its subsidiary have identified the GDP, the unemployment rate and the consumer price index of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors. The impairment losses are recognised in profit or loss within administrative expenses.

3.2 Financial assets and financial liabilities

Classification and measurement of financial assets

The classification of financial assets depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

The Company and its subsidiary classify its debt instruments in the following categories:

- those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss); and
- those to be measured at amortised cost.

The Company and its subsidiary reclassify debt instruments when and only when its business model for managing those assets changes.

The equity instruments held must be irrevocably classified to two measurement categories; i) at fair value through profit or loss (FVPL), or ii) at fair value through other comprehensive income (FVOCI) without recycling to profit or loss.

At initial recognition, the Company and its subsidiaries measure a financial asset at its fair value plus or minus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Subsequent measurement of debt instruments depends on the Company and its subsidiary business model for managing the asset and the cash flow characteristics of the financial assets. There are three measurement categories into which the Company and its subsidiaries classify its debt instruments:

- Amortized cost: A financial assets will be measured at amortised cost when the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows. In addition, the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Interest income from these financial assets is included in financial income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented in profit or loss.
- FVOCI: A financial assets will be measured at FVOCI when it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. In addition, the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest income and related foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and recognised on other gains/losses). Interest income from these financial assets is included

in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of comprehensive income.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Dividends from such investments continue to be recognised in profit or loss when the Company and its subsidiaries’s right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Classification and measurement of financial liabilities and equity

Financial instruments issued by the Company and its subsidiary must be classified as financial liabilities or equity securities by considering contractual obligations.

- Where the Company and its subsidiary have an unconditional contractual obligation to deliver cash or another financial asset to another entity, it is considered a financial liability unless there is a predetermined or possible settlement for a fixed amount of cash in exchange of a fixed number of the Company and its subsidiaries’s own equity instruments.
- Where the Company and its subsidiary have no contractual obligation or have an unconditional right to avoid delivering cash or another financial asset in settlement of the obligation, it is considered an equity instrument.

At initial recognition, the Company and its subsidiary measure financial liabilities at fair value. The Company and its subsidiary reclassify all financial liabilities as subsequently measured at amortised cost, except for derivatives.

Recognition and derecognition

The Company and its subsidiary shall recognize a financial asset or a financial liability in its statement of financial position when, and only when, the Company and its subsidiary become party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Company and its subsidiary commit to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company and its subsidiary have transferred substantially all the risks and rewards of ownership of the financial assets.

Impairment

The Company and its subsidiary assess on a forward-looking basis the expected credit loss associated with its debt instruments carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The Company and its subsidiary apply general approach for credit-impaired consideration.

3.3 Derivatives and hedging activities

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument in hedge accounting, and if so, the nature of the item being hedged. The Company and its subsidiary designate certain derivatives as either:

- hedges of the fair value of recognised assets or liabilities or unrecognized firm commitments (fair value hedges); or
- hedges of a particular risk associated with the cash flows of recognized assets and liabilities and highly probable forecast transactions (cash flow hedges).

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss and are included in other gains (losses).

3.4 Leases

At inception of a contract, the Company and its subsidiary assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company and its subsidiary assess the lease term for the non-cancellable period as stipulated in lease contract or the remaining period of active leases at the date of initial application (as at January 1, 2020) together with any period covered by an option to extend the lease if it is reasonably certain to be exercised or any periods covered by an option to terminate the lease if it is reasonably certain not to be exercise by considering the effect of changes in technology and/or the other circumstance relating to the extension of the lease term.

Right-of-use assets-as a lessee

Right-of-use assets are recognized at the commencement date of the lease. Right-of-use assets are stated at cost, less any accumulated depreciation and impairment losses (if any), and adjusted for any remeasurement of lease liabilities (if any). The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date, less any lease incentives received.

The cost of right-of-use assets also includes an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are calculated by reference to their costs on a straight-line basis over the shorter of the lease term and the estimated useful lives for each of right-of-use assets.

Lease liabilities

At the commencement date of the lease, lease liabilities are stated at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable (if any) and amount expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and its subsidiaries and payments of penalties for terminating the lease, if the lease term reflects the Company and its subsidiaries exercising the option to terminate.

In calculating the present value of lease payments, the Company and its subsidiary use its incremental borrowing rate, which is determined by referring to the government bond yield adjusted with risk premium depending on the lease term, at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of the interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Company and its subsidiary apply the short-term lease recognition exemption to its short-term leases (those leases that have a lease term of 12 months or less from the commencement date and not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value. Lease payments on short-term and leases of low-value assets are recognized as expense in profit and loss on a straight-line basis over the lease term.

The Company and its subsidiary recognize the payment from operating leases as income by using the straight-line method over the contract period.

4. CUMULATIVE EFFECTS OF CHANGES IN ACCOUNTING POLICIES DUE TO THE ADOPTION OF NEW FINANCIAL REPORTING STANDARDS

As described in Note 2.3 to the interim financial statements, during the current year, the Company and its subsidiary have adopted TFRS 9 and TFRS 16 using the modified retrospective method of adoption. The cumulative effect of the changes in accounting policies such financial reporting standards is recognized. Therefore, the comparative information was not restated.

The changes in accounting policies due to the adoption of above financial reporting standards, are summarized below.

	Thousand Baht			
	Consolidated			
	As at December 31, 2019	TFRS 9	TFRS 16	As at January 1, 2020
Statement of financial position				
Current assets				
Temporary investments	124,478	(124,478)	-	-
Trade and other current receivables	316,114	41	-	316,155
Current portion of lease receivables	6,838	(12)	-	6,826
Unbilled receivables	9,566	(20)	-	9,546
Other current financial asset	-	124,478	-	124,478
Non-current assets				
Long-term lease receivables	7,991	(9)	-	7,982
Right-of-use assets	-	-	2,815	2,815
Current liabilities				
Current portion of lease liabilities	-	-	891	891
Non-current liabilities				
Lease liabilities	-	-	1,924	1,924

	Thousand Baht			
	Separate financial statements			
	As at December 31, 2019	TFRS 9	TFRS 16	As at January 1, 2020
Statement of financial position				
Current assets				
Temporary investments	124,478	(124,478)	-	-
Trade and other current receivables	319,085	41	-	319,126
Current portion of finance lease receivables	6,838	(12)	-	6,826
Unbilled receivables	9,566	(20)	-	9,546
Other current financial asset	-	124,478	-	124,478
Non-current assets				
Long-term finance lease receivables	7,991	(9)	-	7,982
Right-of-use assets	-	-	2,815	2,815
Current liabilities				
Current portion of lease liabilities	-	-	891	891
Non-current liabilities				
Lease liabilities	-	-	1,924	1,924

4.1 Financial instruments

Classification and measurement

On January 1, 2020 (the date of initial application), the Company and its subsidiary’s management has assessed which business models applied to the financial assets and liabilities held by the Company and its subsidiaries and has classified the financial assets and liabilities as below.

	Thousand Baht		
	Consolidated financial statements		
	FVPL	Amortized cost	Total
Financial assets as at January 1, 2020			
Cash and cash equivalents	-	127,100	127,100
Trade and other current receivables	-	316,155	316,155
Current portion of lease receivables	-	6,826	6,826
Unbilled receivables	-	9,546	9,546
Other current financial assets	124,478	-	124,478
Other non-current financial assets	242	-	242
Lease receivables	-	7,982	7,982
Other non-current assets	-	23,669	23,669
	<u>124,720</u>	<u>491,278</u>	<u>615,998</u>

	Thousand Baht	
	Consolidated financial statements	
	Amortized cost	Total
Financial liabilities as at January 1, 2020		
Trade and other current payables	199,838	199,838
Lease liabilities	2,815	2,815
Other non-current liabilities	23,364	23,634
	<u>226,017</u>	<u>226,017</u>

	Thousand Baht		
	Separate financial statements		
	FVPL	Amortized cost	Total
Financial assets as at January 1, 2020			
Cash and cash equivalents	-	120,124	120,124
Trade and other current receivables	-	319,126	319,126
Current portion of lease receivable	-	6,826	6,826
Unbilled receivables	-	9,546	9,546
Other current financial assets	124,478	-	124,478
Other non-current financial assets	242	-	242
Lease receivables	-	7,982	7,982
Other non-current assets	-	23,669	23,669
	<u>124,720</u>	<u>487,273</u>	<u>611,993</u>

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	Thousand Baht	
	Separate financial statements	
	Amortized cost	Total
Financial liabilities as at January 1, 2020		
Trade and other current payables	193,304	193,304
Lease liabilities	2,815	2,815
Other non-current liabilities	23,364	23,364
	219,483	219,483

Impairment of financial assets

The Company and its subsidiaries have trade receivables, that are subject to the expected credit loss model. The Company and its subsidiary have trade receivables, lease receivables and unbilled receivables that are subject to the expected credit loss model.

Trade and other current receivables/ lease receivables/ unbilled receivables

The Company and its subsidiary apply the simplified approach to measuring expected credit losses, which use a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade and other current receivables, lease receivable and unbilled receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the historical payment profiles, the corresponding historical credit losses experienced and the impact of potential factor to the expected loss rates.

On that basis, the loss allowance for account receivables was as follows:

	Thousand Baht					
	Consolidated financial statements					
	Not yet due	Up to 3 months	3 - 6 months	6 - 12 months	Over 12 months	Total
As at January 1, 2020						
Trade and other current receivables	204,436	83,902	8,308	5,357	4,136	306,139
Lease receivables	17,729	603	19	-	-	18,351
Unbilled receivables	9,566	-	-	-	40	9,606
Loss allowance	458	478	702	885	4,176	6,699

	Thousand Baht					
	Separate financial statements					
	Not yet due	Up to 3 months	3 - 6 months	6 - 12 months	Over 12 months	Total
As at January 1, 2020						
Trade and other current receivables	204,252	87,093	8,308	5,357	4,136	309,146
Lease receivables	17,729	603	19	-	-	18,351
Unbilled receivables	9,566	-	-	-	40	9,606
Loss allowance	458	495	702	885	4,176	6,716

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The loss allowance for account receivables as at December 31, 2019 is reconciled to the opening loss allowance for trade receivables as at January 1, 2020 as follow:

	Thousand Baht	
	Consolidated financial statements	Separate financial statements
<u>Loss allowance for trade receivables</u>		
As at December 31, 2019	7,286	7,286
The effect of the adoption of the financial reporting standard No.9	<u>(587)</u>	<u>(570)</u>
Opening loss allowance as at January 1, 2020	<u>6,699</u>	<u>6,716</u>

The adoption of such financial reporting standards insignificant effect on the financial statements of the Company and its subsidiary. Therefore, the management considered not to adjust such effect on unappropriated retained earnings as at the beginning of the period.

4.2 Leases

These liabilities were measured at the present value of the remaining lease payments, discounted using the Company and its subsidiary’s incremental borrowing rates. The Company and its subsidiary incremental borrowing rates applied to the lease liabilities as at January 1, 2020 was ranged between 6.175 %.

For leases previously classified as finance leases applying TAS 17, the Company and its subsidiary reclassified the carrying amount of the lease assets and lease liabilities immediately before adoption of TFRS 16 as the carrying amount of the right-of-use assets and the lease liabilities at the date of initial application.

	Thousand Baht	
	Consolidated financial statements	Separate financial statements
Operating lease commitments disclosed as at December 31, 2019	21,804	21,572
<u>Less: Short-term leases recognized on a straight-line basis as expenses</u>	<u>(3,393)</u>	<u>(3,161)</u>
<u>Less: Termination options reasonably certain to be exercised</u>	<u>(12,580)</u>	<u>(12,580)</u>
<u>Less: Contracts reassessed as service agreements</u>	<u>(2,756)</u>	<u>(2,756)</u>
	3,075	3,075
<u>Less: Deferred interest expenses</u>	<u>(260)</u>	<u>(260)</u>
Additional lease liabilities from TFRS 16 adoption	2,815	2,815
Finance lease liabilities as at December 31, 2019	-	-
Lease liabilities recognised as at January 1, 2020	<u>2,815</u>	<u>2,815</u>
Of which are:		
Current lease liabilities	891	891
Non-current lease liabilities	<u>1,924</u>	<u>1,924</u>
	<u>2,815</u>	<u>2,815</u>

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The recognized right-of-use assets relate to the following types of assets:

	Thousand Baht	
	Consolidated financial statements	Separate financial statements
As at January 1, 2020	-	-
Building and building improvements	2,815	2,815
Total right-of-use assets	2,815	2,815

5. 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
Nutrix Public Company Limited	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
Interest expenses	Market price

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Significant agreements with related parties

The Company entered into office building rental agreement as follows:

	As at March 31, 2020		
	Lessor	Period	Rate per month (Baht)
Office rental agreement	Mr. Jain Charnnarong	3.9 year	53,100
	Harn Engineering Co., Ltd.	3.9 year	413,916
Warehouse rental agreement	Phraboriban Co., Ltd.	0.8 year	195,490
	Phraboriban Co., Ltd.	3 year	85,410

Balances with the related parties as at March 31, 2020 and December 31, 2019 consisted of:

	Baht			
	Consolidated financial statements		Separate financial statements	
	As at March 31, 2020	As at December 31, 2019	As at March 31, 2020	As at December 31, 2019
Trade and other current receivables				
Subsidiary				
Harn Vietnam Co., Ltd.	-	-	21,912	3,238,895
Related company				
Harn Engineering Co., Ltd.	1,852,022	1,852,022	1,852,022	1,852,022
Nutrix Public Company Limited	3,929	-	3,929	-
	<u>1,855,951</u>	<u>1,852,022</u>	<u>1,877,863</u>	<u>5,090,917</u>
Short-term loans to related parties				
Subsidiary				
Harn Vietnam Co., Ltd.	-	-	6,502,500	-
Deposit receivable				
Related company				
Nutrix Public Company Limited	-	5,229,668	-	5,229,668
Other payable				
Related company				
Throughwave (Thailand) Co., Ltd.	-	2,988,382	-	2,988,382
Lease liabilities				
Related company				
Phraboriban Co., Ltd.	2,586,110	-	2,586,110	-

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Transactions with related parties for the three-month periods ended March 31, 2020 and 2019 were summarized as follows:

	Baht			
	Consolidated financial statements		Separate financial statements	
	For the three-month periods ended		For the three-month periods ended	
	March 31,		March 31,	
	2020	2019	2020	2019
Sale of goods				
Subsidiary				
Harn Vietnam Co., Ltd.	-	-	197,188	-
Related company				
Nutrix Public Company Limited	22,032	-	22,032	-
Other income				
Subsidiary				
Harn Vietnam Co., Ltd.	-	-	21,912	-
Office rental and service expenses				
Related company				
Harn Engineering Co., Ltd.	1,241,748	1,496,988	1,241,748	1,496,988
Phraboriban Co., Ltd.	-	842,700	-	842,700
Related person				
Mr. Jain Charnnarong	159,300	159,300	159,300	159,300
	<u>1,401,048</u>	<u>2,498,988</u>	<u>1,401,048</u>	<u>2,498,988</u>
Interest expenses from lease liabilities				
Related company				
Phraboriban Co., Ltd.	27,721	-	27,721	-
Directors remuneration				
Directors remuneration	925,000	1,065,000	925,000	1,065,000
Management benefit expenses				
Short-term employee's benefits	3,279,124	3,081,105	3,279,124	3,081,105
Post-employment benefits	74,340	108,490	74,340	108,490
	<u>4,278,464</u>	<u>4,254,595</u>	<u>4,278,464</u>	<u>4,254,595</u>

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6. TRADE AND OTHER CURRENT RECEIVABLES

Trade and other current receivables were consisted of:

	Baht			
	Consolidated financial statements		Separate financial statements	
	As at March	As at December	As at March	As at December
	31, 2020	31, 2019	31, 2020	31, 2019
Trade receivable				
Trade receivables - subsidiary	-	-	-	3,238,895
Trade receivables - other companies	258,851,351	288,666,770	256,970,460	288,435,152
Total	258,851,351	288,666,770	256,970,460	291,674,047
Less Allowance for doubtful accounts	(7,213,341)	(7,286,049)	(7,260,920)	(7,286,049)
Net	251,638,010	281,380,721	249,763,540	284,387,998
Other current receivables				
Other receivables - related parties	1,852,022	1,852,022	1,873,934	1,852,022
Other receivables - other companies	13,505,180	8,853,168	13,505,180	8,853,168
Accrued retentions	9,267,921	9,527,045	9,267,921	9,527,045
Deposit	9,722,635	8,762,613	9,705,075	8,746,087
Prepaid expenses	7,268,935	4,674,077	6,903,284	4,654,201
Accrued income	831,627	1,064,831	831,627	1,064,831
Total	42,448,320	34,733,756	42,087,021	34,697,354
Less Allowance for doubtful accounts	(69,919)	-	(69,919)	-
Net	42,378,401	34,733,756	42,017,102	34,697,354
Total trade and other current receivables	294,016,411	316,114,477	291,780,642	319,085,352

Trade receivables are classified by aging as follows:

	Baht			
	Consolidated financial statements		Separate financial statements	
	As at March	As at December	As at March	As at December
	31, 2020	31, 2019	31, 2020	31, 2019
Current	145,888,839	187,039,492	144,714,124	186,855,915
Overdue				
Less than 3 months	95,775,437	83,826,501	95,069,261	87,017,355
Over 3 months up to 6 months	6,299,649	8,308,446	6,299,649	8,308,446
Over 6 months up to 12 months	6,046,769	5,356,651	6,046,769	5,356,651
Over 12 months	4,840,657	4,135,680	4,840,657	4,135,680
Total	258,851,351	288,666,770	256,970,460	291,674,047
Less Allowance for doubtful account	(7,213,341)	(7,286,049)	(7,206,920)	(7,286,049)
Trade receivables, net	251,638,010	281,380,721	249,763,540	284,387,998

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7. LEASE RECEIVABLES

Lease receivables were consisted of:

	Baht			
	Consolidated financial statements		Separate financial statements	
	As at March 31, 2020	As at December 31, 2019	As at March 31, 2020	As at December 31, 2019
Lease receivables - printing devices	15,681,367	14,828,531	15,681,367	14,828,531
<u>Less</u> Current portion	<u>(6,824,900)</u>	<u>(6,837,622)</u>	<u>(6,824,900)</u>	<u>(6,837,622)</u>
Long-term lease receivables	<u>8,856,467</u>	<u>7,990,909</u>	<u>8,856,467</u>	<u>7,990,909</u>

The minimum lease payments and present value of minimum lease payments which receivable will be paid under the lease agreements as at March 31, 2020 and December 31, 2019, are as follows:

	Baht			
	Consolidated financial statements/Separate financial statements			
	As at March 31, 2020		As at December 31, 2019	
Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments	
Collection period				
Within 1 year	8,909,034	6,824,900	8,413,838	6,837,622
Over 1 year but less than 5 years	14,416,579	8,856,467	9,936,769	7,990,909
	23,325,613	15,681,367	18,350,607	14,828,531
<u>Less</u> Deferred interest	<u>(7,644,246)</u>	<u>-</u>	<u>(3,522,076)</u>	<u>-</u>
	<u>15,681,367</u>	<u>15,681,367</u>	<u>14,828,531</u>	<u>14,828,531</u>

8. SHORT-TERM LOANS TO RELATED SUBSIDIARY

Movements of short-term loans to related subsidiary for the three-month period ended March 31, 2020 were as follows:

	Separate financial statements	
	USD	Baht
Harn Vietnam Co., Ltd.		
Beginning balance	-	-
Additional during the period	200,000	6,352,000
Deduction during the period	-	-
Conversion of unrealized on exchange rate	-	150,500
Ending balance	<u>200,000</u>	<u>6,502,500</u>

As at March 12, 2020, the Company has short-term loans to a subsidiary amounted 200,000 of United States Dollars. The interest rate has been charged at 6.15% per annum in the term of year.

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9. INVENTORIES

Inventories were consisted of :

	Baht			
	Consolidated financial statements		Separate financial statements	
	As at March 31, 2020	As at December 31, 2019	As at March 31, 2020	As at December 31, 2019
Finished goods	263,370,825	285,842,722	261,463,560	283,585,349
Goods in transit	72,237,406	43,591,076	52,589,803	43,591,076
Total	335,608,231	329,433,798	314,053,363	327,176,425
<u>Less</u> Allowance for loss on devaluation of inventories	<u>(25,394,798)</u>	<u>(24,393,942)</u>	<u>(25,394,798)</u>	<u>(24,393,942)</u>
Net	<u>310,213,433</u>	<u>305,039,856</u>	<u>288,658,565</u>	<u>302,782,483</u>

Decline in value of inventory recognized as cost of goods sold for the three-month and nine-month periods ended March 31,2020 were Baht 1.00 million (for the Company’s only amounting to Baht 1.00 million).

10. OTHER CURRENT FINANCIAL ASSETS

Other current financial assets were consisted of:

	Baht		
	Consolidated financial statements/ Separate financial statements		
	As at March 31, 2020		
	Cost value	Unrealized gain (loss) on revaluation of investments	Fair value
Debt securities			
- Investment in Bond			
Bank of Thailand	59,772,020	99,629	59,871,649
Equity securities			
- Investment in units	63,129,352	(89,106)	63,040,246
Total	<u>122,901,372</u>	<u>10,523</u>	<u>122,911,895</u>

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	Baht		
	Consolidated financial statements/ Separate financial statements		
	December 31, 2019		
	Cost value	Unrealized gain (loss) on revaluation of investments	Fair value
Debt securities			
- Investment in Bond			
Bank of Thailand	59,585,551	35,204	59,620,755
Equity securities			
- Investment in units	63,129,353	1,727,815	64,857,168
Total	122,714,904	1,763,019	124,477,923

11. INVESTMENT IN SUBSIDIARY

Investment in subsidiary consisted of:

Subsidiary	Paid-up capital	Percentage of shareholding		Baht	
		Separate financial statements		Cost method	
		(%)			
		As at March 31, 2020	As at December 30, 2019	As at March 31, 2020	As at December 30, 2019
Harn Vietnam Co., Ltd.	Vietnamese Dong 800 million	100.00	100.00	1,057,444	1,057,444
Total				1,057,444	1,057,444

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.

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12. INVESTMENT PROPERTY

Changes in the investment property for the three-month period ended March 31, 2020 were summarized as follows:

	<u>Baht</u>
	<u>Consolidated financial</u>
	<u>Statements/Separate</u>
	<u>financial Statements</u>
<u>Cost</u>	
Balance as at December 31, 2019	231,950,000
Acquisitions during the period	-
Disposals and write-off during the period	-
Balance as at March 31, 2020	<u>231,950,000</u>
<u>Accumulated depreciation</u>	
Balance as at December 31, 2019	(1,982,424)
Depreciation for the period	(460,122)
Accumulated depreciation on disposals and write-off	-
Balance as at March 31, 2020	<u>(2,442,546)</u>
<u>Net book value</u>	
Balance as at December 31, 2019	<u>229,967,576</u>
Balance as at March 31, 2020	<u>229,507,454</u>

For the three-month periods ended March 31, 2020 and 2019, the Company and its subsidiary had rental income from investment property in the amount of Baht 2.84 million and Baht 2.78 million, respectively (for the Company’s only amounting to Baht 2.84 million and Bath 2.78 million, respectively) and operating expenses in the amount of Baht 0.55 million and Baht 0.54 million, respectively (for the Company’s only amounting to Baht 0.55 million and Baht 0.54 million, respectively), which was recognized in the statement of comprehensive income.

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13. PROPERTY AND EQUIPMENT

Changes in the property and equipment for the three-month period ended March 31, 2020 were summarized as follows:

	Baht	
	Consolidated	Separate financial
	financial Statements	Statements
<u>Cost</u>		
Balance as at December 31, 2019	96,664,900	96,664,900
Acquisitions during the period	2,660,399	2,601,096
Disposals and write-off during the period	(1,676,855)	(1,676,855)
Balance as at March 31, 2020	<u>97,648,444</u>	<u>97,589,141</u>
<u>Accumulated depreciation</u>		
Balance as at December 31, 2019	(65,998,158)	(65,998,158)
Depreciation for the period	(2,702,889)	(2,700,193)
Accumulated depreciation on disposals and write-off	1,579,855	1,579,855
Balance as at March 31, 2020	<u>(67,121,192)</u>	<u>(67,118,496)</u>
<u>Net book value</u>		
Balance as at December 31, 2019	<u>30,666,742</u>	<u>30,666,742</u>
Balance as at March 31, 2020	<u>30,527,252</u>	<u>30,470,645</u>

As at March 31, 2020 and December 31, 2019, the Company and its subsidiary had equipment which were fully depreciated but still in use with the cost price of Baht 38.41 million and Baht 34.60 million, respectively, (for the Company’s only amounting of Bah 38.41 million and Baht 34.60 million, respectively).

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14. RIGHT-OF-USE ASSETS

The net book value of right-of-use assets related to building and building improvement and the movement for the three-month period ended March 31, 2020 are presented below.

	Baht
	Consolidated financial statements/ Separate financial statements
	Buildings and building improvement
Cost	
As at December 31, 2019	-
Effects of the adoption of TFRS16 as at January 1, 2020	2,814,619
As at January 1, 2020	2,814,619
Addition	-
Written-off	-
As at March 31, 2020	2,814,619
Accumulated depreciation	
As at December 31, 2019	-
Effects of the adoption of TFRS16 as at January 1, 2020	-
As at January 1, 2020	-
Depreciation for the year	234,552
Depreciation - written-off	-
As at March 31, 2020	234,552
Net book value	
As at December 31, 2019	-
As at January 1, 2020	2,814,619
As at March 31, 2020	2,580,067

15. GOODWILL

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

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16. CUSTOMER RELATIONSHIP

Changes in customer relationship for the three-month period ended March 31, 2020 were summarized as follows:

	<u>Baht</u>
	<u>Consolidated financial Statements/Separate financial Statements</u>
<u>At cost</u>	
Balance as at December 31, 2019	104,307,663
Acquisitions during the period	-
Disposals and write-off during the period	-
Balance as at March 31, 2020	<u>104,307,663</u>
<u>Accumulated amortization</u>	
Balance as at December 31, 2019	(46,027,850)
Amortization for the period	(3,715,068)
Accumulated amortization on disposals and write-off	-
Balance as at March 31, 2020	<u>(49,742,918)</u>
<u>Net book value</u>	
Balance as at December 31, 2019	<u>58,279,813</u>
Balance as at March 31, 2020	<u>54,564,745</u>

17. INTANGIBLE ASSETS

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Changes in intangible assets for the three-month period ended March 31, 2020 were summarized as follows:

	<u>Baht</u>
	<u>Consolidated financial Statements / Separate financial Statements</u>
<u>At cost</u>	
Balance as at December 31, 2019	38,942,216
Acquisitions during the period	95,780
Disposals and write-off during the period	<u>(168,298)</u>
Balance as at March 31, 2020	<u>38,869,698</u>
<u>Accumulated amortization</u>	
Balance as at December 31, 2019	(17,995,143)
Amortization for the period	(1,021,040)
Accumulated amortization on disposals and write-off	<u>168,296</u>
Balance as at March 31, 2020	<u>(18,847,887)</u>
<u>Net book value</u>	
Balance as at December 31, 2019	<u>20,947,073</u>
Balance as at March 31, 2020	<u><u>20,021,811</u></u>

As at March 31, 2020 and December 31, 2019, the Company and its subsidiary had intangible assets, which were fully amortized but still in use with the cost price of Baht 3.42 million and Baht 1.96 million, respectively (for the Company’s only amounting of Baht 3.42 million and Baht 1.96 million, respectively).

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18. TRADE AND OTHER CURRENT PAYABLES

Trade and other current payables were consisted of :

	Baht			
	Consolidated financial statements		Separate financial statements	
	As at March 31, 2020	As at December 31, 2019 (Reclassified Note 25)	As at March 31, 2020	As at December 31, 2019 (Reclassified Note 25)
Trade payables				
Trade payables - other companies	95,242,410	104,648,825	94,805,379	104,648,825
Other current payables				
Accrued commission expenses	15,757,958	16,746,476	15,757,958	16,746,476
Accrued bonus	5,092,292	18,568,265	5,092,293	18,568,265
Advance from customers for goods and services	49,350,188	34,517,307	28,875,482	28,141,860
Other accrued expenses	14,248,947	16,005,979	14,108,095	15,848,452
Account payable - Revenue department	3,750,957	3,942,216	3,712,079	3,940,444
Other deposit	2,442,860	1,491,920	2,442,860	1,491,920
Other	6,991,794	3,917,332	6,991,796	3,917,332
Total	97,634,997	95,189,495	76,980,563	88,654,749
Total trade and other current payables	192,878,407	199,838,320	171,785,942	193,303,574

19. LEASE LIABILITIES

The carrying amounts of lease liabilities and the movement for the three-month period ended March 31, 2020 are presented below.

	Baht	
	Consolidated financial statements	Separate financial statements
As at December 31, 2019	-	-
Effects of the adoption of TFRS16	2,814,619	2,814,619
As at January 1, 2020	2,814,619	2,814,619
Addition	-	-
Accretion of interest	27,721	27,721
Payments	(256,230)	(256,230)
Decrease from contract cancellation	-	-
As at March 31, 2020	2,586,110	2,586,110
Less: current portion	(890,140)	(890,140)
Lease liabilities - net of current portion	1,695,970	1,695,970

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The following are the amounts recognized in profit or loss:

	Baht	
	Consolidated financial statements	Separate financial statements
Depreciation of right-of-use assets	234,552	234,552
Interest expense on lease liabilities	27,721	27,721
Expense relating to short-term lease	2,893,671	2,827,274
Leases of low-value assets	63,600	63,600
Total	3,219,544	3,153,147

The Company and its subsidiary had total cash outflows for leases of Baht 3,213,501 (the separate: Baht 3,147,104).

20. OPERATING SEGMENT

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

The Company comprises the following main business segments:

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

Operating segment by business in the consolidated statement of comprehensive income for the three-month periods ended March 31, 2020 were as follows:

	Thousand Baht									
	Consolidated financial statements									
	For the three-month period ended March 31, 2020					For the three-month period ended March 31, 2019				
	Segment 1	Segment 2	Segment 3	Segment 4	Total	Segment 1	Segment 2	Segment 3	Segment 4	Total
Revenue from sale of goods	128,752	16,051	56,272	74,450	275,525	116,014	23,994	72,964	90,998	303,970
Revenue from rendering of services	18,359	-	-	10,409	28,768	19,183	-	-	7,171	26,354
Cost of sale of goods	(90,472)	(10,779)	(36,873)	(40,724)	(178,848)	(84,620)	(17,787)	(49,456)	(56,720)	(208,583)
Cost of rendering of services	(17,583)	-	-	(7,940)	(25,523)	(19,807)	-	-	(7,683)	(27,490)
Gross profit	39,056	5,272	19,399	36,195	99,922	30,770	6,207	23,508	33,766	94,251
Other income					6,373					8,409
Distribution cost					(29,078)					(27,281)
Administrative expenses					(33,886)					(35,283)
Profit from operation					43,331					40,096
Finance cost					(27)					-
Income tax expense					(8,504)					(7,899)
Profit for the periods					34,800					32,197
Other comprehensive income (expense)					(98)					-
Total comprehensive income for the periods					34,702					32,197

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Operating segment by business in the statement of comprehensive income for the three-month periods ended March 31, 2020 and 2019 were as follows:

	Thousand Baht									
	Separate financial statements									
	For the three-month period ended March 31, 2020					For the three-month period ended March 31, 2019				
	Segment 1	Segment 2	Segment 3	Segment 4	Total	Segment 1	Segment 2	Segment 3	Segment 4	Total
Revenue from sale of goods	128,752	16,051	56,272	72,741	273,816	116,014	23,994	72,964	90,998	303,970
Revenue from rendering of services	18,359	-	-	10,409	28,768	19,183	-	-	7,171	26,354
Cost of sale of goods	(90,472)	(10,779)	(36,873)	(39,646)	(177,770)	(84,620)	(17,787)	(49,456)	(56,720)	(208,583)
Cost of rendering of services	(17,583)	-	-	(7,940)	(25,523)	(19,807)	-	-	(7,683)	(27,490)
Gross profit	<u>39,056</u>	<u>5,272</u>	<u>19,399</u>	<u>35,564</u>	<u>99,291</u>	<u>30,770</u>	<u>6,207</u>	<u>23,508</u>	<u>33,766</u>	<u>94,251</u>
Distribution cost					5,296					8,409
Selling expenses					(28,646)					(27,281)
Administrative expenses					(33,656)					(35,283)
Profit from operation					42,285					40,096
Finance cost					(27)					-
Income tax expense					(8,390)					(7,899)
Profit for the periods					33,868					32,197
Other comprehensive income					-					-
Total comprehensive income for the periods					<u>33,868</u>					<u>32,197</u>

Operating segment by business in the statement of financial position as at March 31, 2020 and December 31, 2019 were as follows:

	Thousand Baht									
	Consolidated financial statements									
	As at March 31, 2020					As at December 31, 2019				
	Segment 1	Segment 2	Segment 3	Segment 4	Total	Segment 1	Segment 2	Segment 3	Segment 4	Total
Assets for reportable segments										
Trade receivables - other companies	142,099	16,575	45,879	54,298	258,851	144,452	21,196	61,169	61,850	288,667
Inventories	128,487	9,930	82,016	89,780	310,213	144,012	9,518	73,452	78,058	305,040
Goodwill	-	-	200,066	134,606	334,672	-	-	200,066	134,606	334,672
Customer relationship	-	-	39,408	15,157	54,565	-	-	42,092	16,188	58,280
Assets under common use										
- Investment property	-	-	-	-	229,507	-	-	-	-	229,967
- Plant and equipment	-	-	-	-	30,527	-	-	-	-	30,667
- Intangible assets	-	-	-	-	20,022	-	-	-	-	20,947
- Others	-	-	-	-	396,764	-	-	-	-	328,057
Total assets for reportable segments	<u>270,586</u>	<u>26,505</u>	<u>367,369</u>	<u>293,841</u>	<u>1,635,121</u>	<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>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>278,757</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>274,635</u>

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Thousand Baht										
Separate financial statements										
	As at March 30, 2020					As at December 31, 2019				
	Segment 1	Segment 2	Segment 3	Segment 4	Total	Segment 1	Segment 2	Segment 3	Segment 4	Total
Assets for reportable segments										
Trade receivables - other companies	142,099	16,575	45,879	52,417	256,970	144,452	21,196	61,169	64,857	291,674
Inventories	128,487	9,930	82,016	68,225	288,658	144,012	9,518	73,452	75,800	302,782
Goodwill	-	-	200,066	134,606	334,672	-	-	200,066	134,606	334,672
Customer relationship	-	-	39,408	15,157	54,565	-	-	42,092	16,188	58,280
Assets under common use										
- Investment property	-	-	-	-	229,507	-	-	-	-	229,967
- Plant and equipment	-	-	-	-	30,471	-	-	-	-	30,667
- Intangible assets	-	-	-	-	20,022	-	-	-	-	20,947
- Others	-	-	-	-	399,240	-	-	-	-	321,799
Total assets for reportable segments	<u>270,586</u>	<u>26,505</u>	<u>367,369</u>	<u>270,405</u>	<u>1,614,105</u>	<u>288,464</u>	<u>30,714</u>	<u>376,779</u>	<u>291,451</u>	<u>1,590,788</u>
Total liabilities for reportable segments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>257,549</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>268,100</u>

21. BASIC EARNINGS PER SHARE

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

	Consolidated financial statements		Separate financial statements	
	For the three-month periods ended		For the three-month periods ended	
	March 31,		March 31,	
	2020	2019	2020	2019
Profit for the periods of percent company (Baht)	34,800,483	32,197,363	33,867,698	32,197,363
Weighted average number of ordinary shares (Shares)	584,500,000	584,500,000	584,500,000	584,500,000
Basic earnings per share (Baht per share)	0.06	0.06	0.06	0.06

22. COMMITMENTS AND CONTINGENT LIABILITIES

As at March 31, 2020 and December 31, 2019, the Company and its subsidiary had commitments and contingent liabilities as follows:

22.1 As at March 31, 2020 and December 31, 2019, 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	
	As at March	As at December	As at March	As at December
	31, 2020	31, 2019	31, 2020	31, 2019
Million Bath	26.67	26.98	29.67	26.98
Million US dollars	0.27	0.27	0.27	0.27

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22.2 The credit facilities with financial institutions as at March 31, 2020 and December 31, 2019 consisted of:

Type of credit	Consolidated financial statements/ Separate financial statements			
	Facilities (Million Baht)		Referred interest rate (% per annum)	
	As at March 31, 2020	As at December 31, 2019	As at March 31, 2020	As at December 31, 2019
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	74.00	54.00	1.25 - 2%	1.25 - 2%
Forward exchange contracts	562.39	562.39	-	-
Promissory notes	5.00	5.00	MLR	MLR
Total	<u>812.39</u>	<u>792.39</u>		
Forward foreign exchange contracts (Million US dollars)	<u>7.00</u>	<u>7.00</u>		

22.3 Minimum lease and service payments are as follows :

Payment periods	Million Baht			
	Consolidated financial statements		Separate financial statements	
	As at March 31, 2020	As at December 31, 2019	As at March 31, 2020	As at December 31, 2019
Due not later than 1 year	6.78	10.10	6.60	9.86
Due later than 1 year but not later than 5 years	3.49	11.71	3.49	11.71

During the period, the Company and its subsidiaries recognized right-of-use assets from lease agreements as illustrated in Note 14 to the interim financial statements.

Rental and service expenses for the three-month period ended March 31, 2020 and 2019 are Baht 3.37 million and Baht 3.51 million, respectively (for the Company’s only to Baht 3.31 million and Baht 3.51 million, respectively)

22.4 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.

23. 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 March 31, 2020 and December 31, 2019, 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			
	As at March 31, 2020			
	Level 1	Level 2	Level 3	Total
Financial assets (liabilities) measured at fair value				
Investments in bond	-	59,871,649	-	59,871,649
Investments in investment units	-	63,040,246	-	63,040,246
Foreign currency forward contracts	-	558,478	-	558,478

	Baht			
	Consolidated financial statements/Separate financial statement			
	As at December 31, 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

Fair valuation techniques and inputs to Level 2 fair valuation

The fair value of investments in investment units that are not listed on the Stock Exchange of Thailand is determined by using the net asset value per unit as announced by the fund managers.

The fair value of derivatives has been determined by using a discounted future cash flow model and a valuation model technique. Most of the inputs used for the valuation are observable in the relevant market, such as spot rates of foreign currencies, forward rate of the respective currencies, and interest rate yield curves.

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

Certain financial assets and financial liabilities is measured at fair value

The following table gives information about how the fair values of these financial assets and financial liabilities are measured at fair value on fair value hierarchy as at March 3, 2020 and December 31, 2019.

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	Consolidated financial statements/Separate financial statements		
	As at March 31, 2020	As at December 31, 2019		
Financial assets (liabilities)				
Foreign currency forward contracts	558,478	135,819	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.

24. RECLASSIFICATION

Certain amounts in the statement of financial position as at December 31, 2019 have been reclassified to conform to the current year’s classification but with no effect to previously reported net income or shareholders’ equity. The reclassifications were as follow:

	Thousand Baht					
	Consolidated financial statements			Separate financial statements		
	As previously reported	Reclassified increase (decrease)	As reclassified	As previously reported	Reclassified increase (decrease)	As reclassified
Trade and other current receivables	194,404	5,434	199,838	187,871	5,432	193,303
Other current liabilities	6,547	(5,434)	1,113	6,545	(5,432)	1,113

25. EVENTS AFTER THE REPORTING DATE

According to the Board of Directors’ Meeting No.3/2020 held on April 16, 2020, the board of directors had a resolution to approve paying the interim dividends from the operating results of January 1 - December 31, 2019 at Baht 0.18 per share for 584,500,000 shares in total Baht 105,210,000. The interim dividends are paid to the shareholders whose names appear on the record date on March 13, 2020. The dividend is scheduled to be paid on May 15, 2020. The dividend payment, rights and payment date are as informed to the shareholder in accordance with the agenda of the Board of Directors’ Meeting No.1/2020 dated February 27, 2020. It will be presented to the shareholders to acknowledge the approval of interim dividend payment.

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26. APPROVAL OF INTERIM FINANCIAL STATEMENTS

These interim financial statements were authorized for issue by the Board of Directors of the Company on May 14, 2020.