

QUALITECH PUBLIC COMPANY LIMITED AND SUBSIDIARIES

AUDITOR'S REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

AUDITOR'S REPORT

To The Shareholders of Qualitech Public Company Limited

Opinion

I have audited the accompanying consolidated and separate financial statements of Qualitech Public Company Limited and subsidiaries (the Group) and of Qualitech Public Company Limited (the Company), which comprise consolidated and separate statements of financial position as at December 31, 2018, consolidated and separate statements of comprehensive income, consolidated and separate statements of changes in shareholders' equity, and consolidated and separate statements of cash flows for the year then ended, and notes to financial statements including a summary of significant accounting policies.

In my opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Qualitech Public Company Limited and subsidiaries and of Qualitech Public Company Limited as at December 31, 2018, and their financial performance and 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 Consolidated and Separate Financial Statements section of my report. I am independent of the Group 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 consolidated and separate 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.

Key Audit Matters

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

Recognition of revenues from services and unbilled services income

As at December 31, 2018, the Company and subsidiaries have material amount of unbilled revenues from services of Baht 60.15 million in the consolidated financial statements. The calculation of unbilled services income is complicated procedure because of various rate of services fee and depending on the nature of service rendering of each contract. There are a lot of internal control document for recoding services rendering in each day which may result to the incomplete collection of such document and/or inaccurate calculation of unbilled revenue from services income. Accordingly, I have addressed as key audit matter.

I have obtained an assurance in respect of the accuracy and completeness of unbilled services income, by included;

- Obtained an understanding of internal control system relating to revenues from services recognition.
- Tested the significant internal control system relating to the accuracy and completeness of revenues from services.
- Checked the details of unbilled services income with document of time record and completed works, the rate of service fee and nature of work as stipulated in engagement contract.
- Tested the calculating amount of details of unbilled services income.

Control of equipment and tools on site work

As stated in notes 11 to financial statements, as at December 31, 2018 the Company and subsidiaries have material amount of equipment and tools of Baht 47.51 million (net of accumulated depreciation amount of Baht 136.41 million) in the consolidated financial statements. Such tools and equipment are main assets used for providing services rendering to customers since the Company and subsidiaries have many service sites and have to take such assets to perform the work at the site as stipulated by customers. Such assets, therefore, may easily lost. Accordingly, I have addressed the existing of such assets as key audit matter.

I have obtained an assurance in respect of the existing of tools and equipment, by included;

- Obtained an understanding of internal control system relating to tools and equipment.
- Performed of the physical count stock of tools and equipment as at the end of year as disclosed in details of tools and equipment of each site work.
- Reconciled the details of tools and equipment of each service site as at the end of year and the register of tools and equipment.

Other Information

Management is responsible for the other information. The other information comprise the information included in annual report of the Group (but does not include the consolidated and separate 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 consolidated and separate financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the consolidated and separate financial statements, my responsibility is to read the other information 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 of the Group, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance for correction of the misstatement.

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

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

My objectives are to obtain reasonable assurance about whether the consolidated 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 financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated 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 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 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 to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated 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 I 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 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.

D I A International Audit Co., Ltd.



(Mrs. Suvimol Chrityakierne)

C.P.A. (Thailand)

Registration No. 2982

February 16, 2019

QUALITECH PUBLIC COMPANY LIMITED AND SUBSIDIARIES

STATEMENTS OF FINANCIAL POSITION

AS AT DECEMBER 31, 2018

	Note	Consolidated financial statements (Baht)		Separate financial statements (Baht)	
		2018	2017	2018	2017
Assets					
Current assets					
Cash and cash equivalents	5	50,994,003.16	47,089,196.95	40,211,867.21	42,016,263.49
Current investment	6	101,640,587.86	117,867,695.67	93,241,804.85	92,312,386.07
Trade and other current receivables	7	66,777,543.72	82,159,915.13	66,111,580.62	77,254,341.93
Unbilled services income	8	60,152,478.67	43,460,352.05	59,827,899.84	43,676,371.18
Inventories		4,571,516.28	6,622,838.74	3,571,215.70	4,983,164.15
Total current assets		284,136,129.69	297,199,998.54	262,964,368.22	260,242,526.82
Non-current assets					
Investment in subsidiaries	9	0.00	0.00	14,348,985.00	11,668,185.00
Bank deposits with obligations	10	4,468,400.00	3,500,000.00	3,500,000.00	3,500,000.00
Property, plant and equipment	11	182,614,522.97	194,648,738.23	179,546,452.00	190,153,761.27
Other intangible assets	12	2,186,404.05	2,138,871.46	2,186,404.05	2,138,871.46
Deferred tax assets	13	1,291,646.15	1,642,199.03	1,288,783.65	1,154,145.28
Income tax for refund		9,623,963.82	6,298,451.95	9,466,306.44	6,298,451.95
Others non-current assets	14	915,842.48	404,142.27	915,842.48	404,142.27
Total non-current assets		201,100,779.47	208,632,402.94	211,252,773.62	215,317,557.23
Total assets		485,236,909.16	505,832,401.48	474,217,141.84	475,560,084.05

Notes to financial statements are parts of these financial statements

QUALITECH PUBLIC COMPANY LIMITED AND SUBSIDIARIES

STATEMENTS OF FINANCIAL POSITION (Cont'd)

AS AT DECEMBER 31, 2018

	Note	Consolidated financial statements (Baht)		Separate financial statements (Baht)	
		2018	2017	2018	2017
Liabilities and shareholders' equity					
Current liabilities					
Trade and other current payables	15	28,533,645.80	34,882,934.66	27,780,461.23	31,795,014.87
Current portion of long-term liabilities	16	1,903,042.44	2,384,371.47	1,882,759.44	2,146,993.15
Current income tax payable		0.00	441,371.98	0.00	0.00
Total current liabilities		30,436,688.24	37,708,678.11	29,663,220.67	33,942,008.02
Non-current liabilities					
Financial lease liabilities	16	2,012,034.75	2,181,134.72	2,012,034.75	2,159,726.02
Non-current provisions for employee benefit	17	14,288,934.55	16,027,125.01	14,274,622.03	13,932,646.00
Total non-current liabilities		16,300,969.30	18,208,259.73	16,286,656.78	16,092,372.02
Total liabilities		46,737,657.54	55,916,937.84	45,949,877.45	50,034,380.04
Shareholders' equity					
Share capital	18				
Authorized share capital					
98,568,485 common shares of Baht 1 each		98,568,485.00		98,568,485.00	
103,468,485 common shares of Baht 1 each			103,468,485.00		103,468,485.00
Issued and paid-up share capital					
98,568,485 common shares of Baht 1 each		98,568,485.00	98,568,485.00	98,568,485.00	98,568,485.00
Share premium on ordinary shares		75,175,543.40	75,175,543.40	75,175,543.40	75,175,543.40
Equity-settled share-based payment reserve	19	10,680,188.03	5,273,407.30	10,680,188.03	5,273,407.30
Retained earnings					
Appropriated - legal reserve	20	10,346,848.50	10,346,848.50	10,346,848.50	10,346,848.50
Unappropriated	21	242,574,905.59	262,113,054.48	232,772,843.43	236,854,764.99
Other components of shareholders' equity		1,027,435.11	(1,948,160.60)	723,356.03	(693,345.18)
Total owners of the Company		438,373,405.63	449,529,178.08	428,267,264.39	425,525,704.01
Non-controlling interests		125,845.99	386,285.56	0.00	0.00
Total shareholders' equity		438,499,251.62	449,915,463.64	428,267,264.39	425,525,704.01
Total liabilities and shareholders' equity		485,236,909.16	505,832,401.48	474,217,141.84	475,560,084.05

Notes to financial statements are parts of these financial statements

QUALITECH PUBLIC COMPANY LIMITED AND SUBSIDIARIES

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2018

	Note	Consolidated financial statements (Baht)		Separate financial statements (Baht)	
		2018	2017	2018	2017
Revenue from services		365,309,161.22	385,213,329.18	362,078,502.42	383,510,181.57
Cost of services		(297,717,931.57)	(298,653,651.95)	(295,078,331.90)	(300,618,905.72)
Gross profit		67,591,229.65	86,559,677.23	67,000,170.52	82,891,275.85
Other income					
Gain on sale of segment		9,459,265.90	0.00	0.00	0.00
Dividend income		0.00	0.00	19,998,800.00	19,998,800.00
Others		2,811,916.84	3,395,876.64	2,786,049.63	3,873,882.58
Administrative expenses		(66,355,836.13)	(67,238,330.86)	(62,809,593.74)	(66,281,667.33)
Finance costs		(499,861.52)	(611,804.28)	(498,134.03)	(600,446.57)
Profit before income tax expense		13,006,714.74	22,105,418.73	26,477,292.38	39,881,844.53
Tax expense	22	(2,342,000.49)	(2,215,312.79)	(988,668.44)	(1,443,972.80)
Profit for the year from continuing operations		10,664,714.25	19,890,105.94	25,488,623.94	38,437,871.73
Profit (loss) for the year from discontinued operation	23	(1,197,513.12)	6,199,075.51	0.00	0.00
Profit for the year		9,467,201.13	26,089,181.45	25,488,623.94	38,437,871.73
Other comprehensive income					
Components of other comprehensive income					
that will not be reclassified to profit or loss					
- Gains (losses) on remeasuments of					
defined benefit plans	17	3,476,649.01	(2,733,789.00)	1,527,836.00	(1,031,379.00)
- Income tax relating to components					
of other comprehensive income					
that will not be reclassified to profit or loss	22	(500,897.39)	410,636.40	(111,134.79)	70,154.40
Other comprehensive income (expense) for the year					
- net of tax		2,975,751.62	(2,323,152.60)	1,416,701.21	(961,224.60)
Total comprehensive income for the year		12,442,952.75	23,766,028.85	26,905,325.15	37,476,647.13

Notes to financial statements are parts of these financial statements

QUALITECH PUBLIC COMPANY LIMITED AND SUBSIDIARIES

STATEMENTS OF COMPREHENSIVE INCOME (Cont'd)

FOR THE YEAR ENDED DECEMBER 31, 2018

	Consolidated financial statements (Baht)		Separate financial statements (Baht)	
	2018	2017	2018	2017
Profit (loss) attributable to :				
Owners of the Company				
Continuing operations	11,217,934.60	20,252,674.62	25,488,623.94	38,437,871.73
Discontinued operations	(1,185,537.99)	6,137,084.76	0.00	0.00
Total	10,032,396.61	26,389,759.38	25,488,623.94	38,437,871.73
Non-controlling interests				
Continuing operations	(553,220.35)	(362,568.68)	0.00	0.00
Discontinued operations	(11,975.13)	61,990.75	0.00	0.00
Total	(565,195.48)	(300,577.93)	0.00	0.00
Grand total	9,467,201.13	26,089,181.45	25,488,623.94	38,437,871.73
Total comprehensive income (expense) attributable to :				
Owners of the Company	13,007,992.32	24,066,742.97	26,905,325.15	37,476,647.13
Non-controlling interests	(565,039.57)	(300,714.12)	0.00	0.00
Grand total	12,442,952.75	23,766,028.85	26,905,325.15	37,476,647.13
Earnings per share				
Basic earnings per share				
Profit for the year from continuing operations	0.11	0.21	0.26	0.39
Loss for the year from discontinued operations	(0.01)	0.06	0.00	0.00
Total	0.10	0.27	0.26	0.39
Weighted average number of common shares	98,568,485	98,568,485	98,568,485	98,568,485

Notes to financial statements are parts of these financial statements

QUALITECH PUBLIC COMPANY LIMITED AND SUBSIDIARIES
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
 FOR THE YEAR ENDED DECEMBER 31, 2018

Note	Consolidated financial statements (Baht)							Non-controlling interests	Total shareholders' equity
	Owners of the Company					Other components of shareholders' equity	Total owners of the Company		
	Issued and paid-up share capital	Share premium	Equity-settled share-based payment reserve	Retained earnings				Other comprehensive income	Gains (losses) on remeasurements of defined benefit plans
				Appropriated	Unappropriated				
Beginning balance of the year 2018	98,568,485.00	75,175,543.40	5,273,407.30	10,346,848.50	262,113,054.48	(1,948,160.60)	449,529,178.08	386,285.56	449,915,463.64
Changes in shareholders' equity for the year:									
Common shares	9	0.00	0.00	0.00	0.00	0.00	0.00	305,800.00	305,800.00
Share-based payment	19	0.00	0.00	5,406,780.73	0.00	0.00	5,406,780.73	0.00	5,406,780.73
Dividend paid	21	0.00	0.00	0.00	0.00	(29,570,545.50)	(29,570,545.50)	(1,200.00)	(29,571,745.50)
Profit (loss) for the year		0.00	0.00	0.00	0.00	10,032,396.61	10,032,396.61	(565,195.48)	9,467,201.13
Other comprehensive income for the year		0.00	0.00	0.00	0.00	2,975,595.71	2,975,595.71	155.91	2,975,751.62
Ending balance of the year 2018		98,568,485.00	75,175,543.40	10,680,188.03	10,346,848.50	242,574,905.59	438,373,405.63	125,845.99	438,499,251.62
Beginning balance of the year 2017		98,568,485.00	75,175,543.40	4,065,188.03	10,000,000.00	255,783,840.60	443,967,912.84	4,349.69	443,972,262.53
Changes in shareholders' equity for the year:									
Common shares	9	0.00	0.00	0.00	0.00	0.00	0.00	683,849.99	683,849.99
Share-based payment		0.00	0.00	1,208,219.27	0.00	0.00	1,208,219.27	0.00	1,208,219.27
Legal reserve		0.00	0.00	0.00	346,848.50	(346,848.50)	0.00	0.00	0.00
Interim dividend paid	21	0.00	0.00	0.00	0.00	(4,928,424.25)	(4,928,424.25)	(1,200.00)	(4,929,624.25)
Dividend paid	21	0.00	0.00	0.00	0.00	(14,785,272.75)	(14,785,272.75)	0.00	(14,785,272.75)
Profit (loss) for the year		0.00	0.00	0.00	0.00	26,389,759.38	26,389,759.38	(300,577.93)	26,089,181.45
Other comprehensive income for the year		0.00	0.00	0.00	0.00	(2,323,016.41)	(2,323,016.41)	(136.19)	(2,323,152.60)
Ending balance of the year 2017		98,568,485.00	75,175,543.40	5,273,407.30	10,346,848.50	262,113,054.48	449,529,178.08	386,285.56	449,915,463.64

Notes to financial statements are parts of these financial statements

QUALITECH PUBLIC COMPANY LIMITED AND SUBSIDIARIES

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2018

Separate financial statements (Baht)								
Note	Issued and paid-up share capital	Share premium	Equity-settled share-based payment reserve	Retained earnings		Other components of shareholders' equity Other comprehensive income Gains (losses) on remeasurements of defined benefit plans	Total shareholders' equity	
				Appropriated	Unappropriated			
Beginning balance of the year 2018	98,568,485.00	75,175,543.40	5,273,407.30	10,346,848.50	236,854,764.99	(693,345.18)	425,525,704.01	
Changes in shareholders' equity for the year:								
Share-based payment	19	0.00	0.00	5,406,780.73	0.00	0.00	5,406,780.73	
Dividend paid	21	0.00	0.00	0.00	0.00	(29,570,545.50)	(29,570,545.50)	
Profit (loss) for the year		0.00	0.00	0.00	0.00	25,488,623.94	25,488,623.94	
Other comprehensive income for the year		0.00	0.00	0.00	0.00	1,425,684.89	1,425,684.89	
Ending balance of the year 2018		<u>98,568,485.00</u>	<u>75,175,543.40</u>	<u>10,680,188.03</u>	<u>10,346,848.50</u>	<u>232,772,843.43</u>	<u>732,339.71</u>	<u>428,276,248.07</u>
Beginning balance of the year 2017		98,568,485.00	75,175,543.40	4,065,188.03	10,000,000.00	218,477,438.76	267,879.42	406,554,534.61
Changes in shareholders' equity for the year:								
Share-based payment		0.00	0.00	1,208,219.27	0.00	0.00	1,208,219.27	
Legal reserve		0.00	0.00	0.00	346,848.50	(346,848.50)	0.00	
Interim dividend paid	21	0.00	0.00	0.00	0.00	(4,928,424.25)	(4,928,424.25)	
Dividend paid	21	0.00	0.00	0.00	0.00	(14,785,272.75)	(14,785,272.75)	
Profit (loss) for the year		0.00	0.00	0.00	0.00	38,437,871.73	38,437,871.73	
Other comprehensive income for the year		0.00	0.00	0.00	0.00	(961,224.60)	(961,224.60)	
Ending balance of the year 2017		<u>98,568,485.00</u>	<u>75,175,543.40</u>	<u>5,273,407.30</u>	<u>10,346,848.50</u>	<u>236,854,764.99</u>	<u>(693,345.18)</u>	<u>425,525,704.01</u>

Notes to financial statements are parts of these financial statements

QUALITECH PUBLIC COMPANY LIMITED AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2018

	Consolidated financial statements (Baht)		Separate financial statements (Baht)	
	2018	2017	2018	2017
Cash flows from operating activities				
Profit (loss) before income tax from continuing operations	13,006,714.74	22,105,418.73	26,477,292.38	39,881,844.53
Add (Less) Profit (loss) before income tax from discontinued operations	(1,197,513.12)	7,747,669.13	0.00	0.00
Profit (loss) before income tax	11,809,201.62	29,853,087.86	26,477,292.38	39,881,844.53
Adjustments				
Unrealized gain on changes in investment valuation	(913,294.74)	(480,360.65)	(879,578.93)	(287,808.54)
Unrealized loss on exchange rate	0.00	691.10	0.00	691.10
Doubtful accounts	1,082,320.23	847,335.24	831,057.23	847,335.24
Decrease (Increase) in unbilled service income	(17,265,852.43)	17,920,497.92	(16,503,526.06)	16,528,611.97
Depreciation	27,279,030.81	30,835,034.94	26,362,063.10	29,812,682.70
Gain on sale of segment	(9,459,265.90)	0.00	0.00	0.00
(Gain) loss on disposal of fixed assets	304,443.22	(811,823.86)	295,787.01	(906,260.67)
Loss on impairment of assets	0.00	88,289.12	0.00	88,289.12
Reversed loss on impairment of assets	(33,559.55)	0.00	(33,559.55)	0.00
Amortized other intangible assets	354,658.87	334,553.91	354,658.87	334,553.91
Provisions for employee benefits	1,543,389.64	3,242,398.27	1,540,246.74	2,926,228.27
Equity-settled share-based payment	5,406,780.73	0.00	5,406,780.73	0.00
Dividend income	0.00	0.00	(19,998,800.00)	(19,998,800.00)
Interest expenses	505,723.13	651,805.66	498,134.03	600,446.57
	20,613,575.63	82,481,509.51	24,350,555.55	69,827,814.20
(Increase) Decrease in portion of operating assets				
Trade and other current receivables	15,144,082.98	15,820,684.02	9,324,101.48	19,666,119.03
Inventories	2,051,322.46	(331,875.21)	1,411,948.45	(473,512.63)
Other intangible assets	(402,191.46)	(309,790.00)	(402,191.46)	(309,790.00)
Other non-current assets	(511,202.37)	31,219.99	(511,202.37)	31,219.99
Increase (Decrease) in portion of operating liabilities				
Trade and other current payables	(7,240,200.25)	(3,188,266.92)	(4,721,401.04)	(10,743,294.09)
Cash generated (paid) from operation	29,655,386.99	94,503,481.39	29,451,810.61	77,998,556.50

Notes to financial statements are parts of these financial statements

QUALITECH PUBLIC COMPANY LIMITED AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS (Cont'd)

FOR THE YEAR ENDED DECEMBER 31, 2018

	Consolidated financial statements (Baht)		Separate financial statements (Baht)	
	2018	2017	2018	2017
Employee benefit paid	(2,158,140.05)	0.00	0.00	0.00
Interest paid	(173,460.72)	(225,886.66)	(168,568.74)	(208,571.57)
Income tax paid	(6,259,228.85)	(8,457,914.16)	(4,402,296.09)	(5,446,941.84)
Income tax received	0.00	2,771,176.18	0.00	2,771,176.18
Net cash provided by (used in) operating activities	21,064,557.37	88,590,856.75	24,880,945.78	75,114,219.27
Cash flows from investing activities				
(Increase) Decrease in current investment	17,140,402.55	(70,145,767.55)	(49,839.85)	(75,532,748.98)
Payments for acquire of ordinary shares of subsidiary	0.00	0.00	(1,341,200.00)	(2,758,400.00)
Dividend received from subsidiary	0.00	0.00	19,998,800.00	19,998,800.00
(Increase) Decrease in bank deposit with obligations	(968,400.00)	26,813,819.01	0.00	26,382,319.01
Proceeds from sales of segment	13,066,000.00	0.00	0.00	0.00
Proceeds from sales of fixed assets	(1,509,078.62)	1,271,861.68	349,915.19	1,198,216.82
Payments for fixed assets acquisition	(13,044,800.59)	(20,292,907.20)	(13,733,046.92)	(17,547,557.46)
Net cash provided by (used in) investing activities	14,684,123.34	(62,352,994.06)	5,224,628.42	(48,259,370.61)
Cash flows from financing activities				
Payment for financial lease liabilities	(2,577,929.00)	(3,107,432.34)	(2,339,424.98)	(2,774,039.43)
Dividend paid	(29,570,545.50)	(19,714,897.00)	(29,570,545.50)	(19,713,697.00)
Proceeds from non-controlling interests	304,600.00	683,849.99	0.00	0.00
Net cash provided by (used in) financing activities	(31,843,874.50)	(22,138,479.35)	(31,909,970.48)	(22,487,736.43)
Net increase (decrease) in cash and cash equivalents	3,904,806.21	4,099,383.34	(1,804,396.28)	4,367,112.23
Cash and cash equivalents as at January 1	47,089,196.95	42,989,813.61	42,016,263.49	37,649,151.26
Cash and cash equivalents as at December 31	50,994,003.16	47,089,196.95	40,211,867.21	42,016,263.49

Notes to financial statements are parts of these financial statements

QUALITECH PUBLIC COMPANY LIMITED AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

1. GENERAL INFORMATION

- 1.1 The Company was registered as a company limited on February 11, 1991, with registration No. 0105534013647 and on December 12, 2007, the Company has changed its status to public company limited with registration No. 0107550000220 and is listed company in the Market for Alternative Investment (MAI) on June 9, 2009.
- 1.2 Head office is located at 21/3 Banplong Road, Maptaphut, Muang, Rayong and three branches office are located at 1/37 Moo 1, Nongchak, Banbueng, Chonburi, at 50, Soi Pattanakarn 57, Prawet, Bangkok, and at 83/50 Moo 10, Nongkham, Siracha, Chonburi.
- 1.3 The Company engaged in business of provides the technical services testing, inspection and certification for operation safety of industry equipment, pressure vessel, industrial boiler, piping and steel structures which is important for the production process, storage, transport of the products in power generating, petrochemical industry and construction to comply with industrial standard and the government laws.

2. PREPARATION OF FINANCIAL STATEMENTS BASIS

- 2.1 The Group's financial statements have been prepared in accordance with Thai Financial Reporting Standards (TFRS); guidelines promulgated by the Federation of Accounting Professions (FAP) and the regulation of The Stock Exchange of Thailand (SET) dated January 22, 2001, regarding the preparation and submission of financial statements and reports for the financial performance of the listed companies B.E. 2544. The format of presentation of the financial statements is not significantly different from the Notification of the Department of Business Development regarding the condensed form should be included in the financial statements (No. 2) B.E. 2559 dated October 11, 2016.

The financial statements have been prepared under the historical cost convention, except as transaction disclosed in related accounting policy.

2.2 New Financial Reporting Standards

2.2.1 Financial report standards that became effective in the current year

During the year, the Company and subsidiaries have adopted a number of revised financial reporting standards and interpretations (revised 2017) which are effective for the financial statements for the year beginning on or after January 1, 2018. 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 those financial reporting standards does not have any significant impacts on the Company and subsidiaries' financial statements.

2.2.2 Financial reporting standards that will become effective in the future

- 1) Thai Financial Reporting Standards which will become effective for the financial statements for the accounting period beginning on or after January 1, 2019.

TFRS 15 Revenue from Contracts with Customers, establishes the principles that the information about the nature, amount, timing and uncertainty of revenue and cash flows from a contract with a customer, is to be reported to the users of financial statements. The entity recognizes revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The entity applies a five-step model to account for revenue and exercise judgement, taking into consideration when applying each step of the model.

TFRS 15 Revenue from Contracts with Customers supersedes the Thai Accounting Standards, Thai Standing Interpretations Committee and Thai Financial Reporting Interpretations Committee as detailed below :

Thai Accounting Standards

TAS 11 (Revised 2017)	Construction contracts
TAS 18 (Revised 2017)	Revenue

Thai Financial Reporting Standards Interpretations

TFRIC 13 (Revised 2017)	Customer Loyalty Programmes
TFRIC 15 (Revised 2017)	Agreements for the Construction of Real Estate
TFRIC 18 (Revised 2017)	Transfers of Assets from Customers

Thai Standing Interpretations Committee

TSIC 31 (Revised 2017)	Revenue - Barter Transactions Involving Advertising Services
------------------------	--

At present, the Management of the Company and subsidiaries has assessed that there is no impact of the above Thai Financial Reporting Standards on the financial statements which will become effective in the future.

- 2) Thai Financial Reporting Standards which will become effective for the financial statements for the accounting period beginning on or after January 1, 2020.

The Federation of Accounting Professions prepared new Thai Financial Reporting Standards based on International Financial Reporting Standards for the period ended December 31, 2017 (Bound Volume 2018 Consolidated without early application) as follows:

Thai Financial Reporting Standards

TFRS 7 Financial Instruments: Disclosures

TFRS 9 Financial Instruments

Thai Accounting Standards

TAS 32 Financial Instruments: Presentation

Thai Financial Reporting Standards Interpretations

TFRIC 16 Hedges of a Net Investments in a Foreign Operation

TFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

The above set of Thai Financial Reporting Standards (TFRSs) sets out the requirements for the classification and measurement of financial instrument at the fair value or amortized cost by considering from the type of instruments, contractual cash flow characteristics and the entity's business model, including the impairment methodology by using the expected credit loss, and the general hedge accounting, as well as the presentation and disclosures of financial instrument. When this set of TFRSs are effective, as a result, some currently effective accounting standards, interpretations and guidance will be cancelled.

At present, the Management of the Company and subsidiaries is being assessed the impacts of those financial reporting standards which will be effective in the future on the financial statements.

3. CONSOLIDATED FINANCIAL STATEMENTS PREPARATION BASIS

3.1 The consolidated financial statements have been prepared by including the financial statements of subsidiaries on which Qualitech Public Company Limited has ability to control in making financial and operating decisions until the controllable is ceased as below :

	Registration in	Percentage of investment %		Type of business
		2018	2017	
QLT International Company Limited	Thailand	99.99	99.99	Providing engineering services, inspection and testing of agricultural crops in both Thailand and oversea and engage in relevant business
Qualitech Myanmar Company Limited	Republic of the Union of Myanmar	80.00	80.00	Providing safety engineering services in Myanmar and engage in relevant business

3.2 The consolidated financial statements have been prepared in conformity with the same accounting policy for the same accounts and accounting events of the Company and subsidiaries.

3.3 The balance of accounts and transactions between Qualitech Public Company Limited and subsidiaries, unrealized gain between of the Company and net assets of subsidiaries have been eliminated from the consolidated financial statements.

4. SUMMARY SIGNIFICANT ACCOUNTING POLICIES

4.1 Income and Expenses Recognition

4.1.1 Revenues and expenses are recognized on an accrual basis.

4.1.2 Core revenues of the Company and subsidiaries are derived from billing under contracts that provide for specific time, material and equipment charges which will be billed ranging from daily to monthly. The Company and subsidiaries recognize such revenues based on the period or lump-sum as stipulated in the contract and on the percentage of completion work for long-term mega-contract. Under this method, the Company and subsidiaries estimated contract revenues based on the actual costs incurred as a percentage of total estimated costs. The factors affect to total estimated costs are changes in the cost of materials and labor, productivity, planning, external factors including weather other factors outside the Company and subsidiaries control, may affect the progress and estimated cost of completion. These factors had impact on revenues recognition. The Company and subsidiaries routinely review estimates related to contracts when the total contract costs indicates exceeding contract revenues, the Company and subsidiaries thus, will recognize the contingent loss as expenses and reflect revision immediately.

4.2 Cash and Cash Equivalents

Cash and cash equivalents included cash on hand and at bank of which the maturity is less than three months from the deposit date and without restriction on withdrawal.

4.3 Investments

Investments in securities for trading are stated at fair value. Gain or loss on changes in fair value is recognized as income or expenses in the statements of comprehensive income.

4.4 Trade and Other Receivables

Trade and other receivables are stated at the rights to receive amount / invoice amount less allowance for doubtful accounts.

The Company and subsidiaries provided allowance for doubtful accounts by considering the overdue period of the accounts receivable from the abilities to repay the debts of each accounts receivable.

4.5 Inventory

Supplies are valued at the lower of cost on a first - in first - out (FIFO) basis or net realizable value.

4.6 Property, Plant and Equipment

4.6.1 Land is stated at cost. Building and equipment are stated at cost less accumulated depreciation and provision for impairment of assets (if any). Cost of assets including the dismantlement, removal and restoration the site on which it is located, the obligation for which the Company incurs.

4.6.2 Building and equipment are depreciation on a straight-line basis over the estimated useful lives of the assets, and the depreciation charge has to be determined separately for each significant parts of property, plant and equipment with the cost that is significant in relation to the total cost of assets item. In addition, the entity is required to review the useful lives, residual value and depreciation method at least at each financial year-end.

The estimated useful lives of the assets are as follows :

	<u>Number of years</u>
Building	20
Building improvement	20
Office furniture and fixture	5
Tools and technical equipment	5
Office equipment	3, 5
Utilities system	5
Vehicles	5

Except for tools and technical equipment acquired from October 23, 1999 to December 31, 2003 and acquired after December 31, 2005 were depreciated on double declining balance method (5 years period) for parts of tools and technical equipment since such tools and technical equipment are made up of technology component. Such technology has greatly developed to be raised the efficiency all the time and the Company must use such tools and technical equipment for performing its work in the customers' office, thus, the tools and technical equipment may possible be obsolete or damage from the performance.

Land and assets under construction were not depreciated.

4.7 Intangible Assets

Intangible assets are valued at cost less accumulated amortization and provision for impairment of assets (if any).

Amortization is determined on a straight-line basis 10 years.

4.8 Impairment of Assets

The Company and subsidiaries have considered the impairment of assets whenever events or changes indicated that the carrying amount of an assets exceeds its recoverable value (net selling price of the assets under current operation or its utilization value whichever is higher). The Company and subsidiaries will consider the impairment for each asset item or each assets unit generating cash flows, whichever is practical. In case of the carrying amount of an asset exceeds its recoverable value, the Company will recognize an impairment in the statements of comprehensive income for the period. The Company and subsidiaries will reverse the impairment loss whenever there is an indication that there is no longer impairment or reduction in impairment.

4.9 Transactions in Foreign Currencies

The Company and subsidiaries record their transactions in foreign currencies converting into Thai Baht by using the exchange rates ruling on the transaction dates. The outstanding balances of accounts in foreign currencies as at the statements of financial position date are converted into Thai Baht by using the exchange rates ruling on the same date.

Gains or Loss on exchange rate are taken into income or expense in the results of operation.

4.10 Financial Instruments

Financial instruments are presented in statements of financial position, consist of cash and cash equivalents, current investment, trade and other current receivables, trade and other current payables, and financial lease liabilities. The basis of recognition and measurement of each item is separately disclosed in the related transactions.

4.11 Long-Term Lease Agreement

The Company and subsidiaries record vehicles under purchase agreement as assets and liabilities in an amount equal to the fair value of the leased assets or the present value of the minimum payments under the agreements. Interest expenses are recorded to each period over the term of the agreement.

4.12 Employee Benefits

4.12.1 Provident Fund

The Company and subsidiaries have established provident fund under the defined contribution plan. The fund's assets are separated entities which are administered by the outsider fund manager. The Company and employees made contribution into such provident fund. The Company's contribution payments to the provident fund were recorded as expenses in statements of comprehensive income in the period in which they are incurred.

4.12.2 Post-Employee Benefits

The Company and subsidiaries provide for post-employment benefits, payable to employees under the Thai Labor Law. The present value of employee benefit liabilities recognized in the statements of financial position is estimated on an actuarial basis using Projected Unit Credit Method of which calculated by the Independent Actuary by using Actuarial Technique. The calculation was made from determining the present value of future cash flows expected to be required to settle and determines discount rate by reference to market yield of government bonds should have terms to maturity approximately equal to the terms of such obligations. In determine the future cash flows expected to be required to settle is used from employees' salaries, turnover, length of services and other factors. Changes in actuarial gains or losses are recognized in the period in which they are incurred in other comprehensive income. Expenses related to employee benefits shall be recorded in profit or loss for sharing such expenses throughout the period of services rendering.

On December 13, 2018, the National Legislative Assembly passed the resolution to approve the draft of new Labour Protection Act which determined the additional rate of severance pay in the case of termination of employment for a terminated employee who has worked for 20 consecutive years or more and shall be entitled to receive payment not less than the last rate of wages for 400 days. However, new Labour Protection Act is being announced in the Government Gazette. The Company and subsidiaries, therefore, shall record the effects of new Labour Protection Act when it becomes effective.

4.13 Income Tax and Deferred tax

1. Income tax expense for the period comprises current and deferred tax. Current and deferred tax are recognized in profit or loss except to the extent that they relate to a business combination, or items recognized directly in 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 or substantively enacted at the reporting date, 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 that it is probable that they will not utilize in the foreseeable future.
2. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they adjust, using tax rates enacted or substantively enacted at the reporting date.
 3. In determining the amount of current and deferred tax, the Company and subsidiaries take into account the impact of uncertain tax positions and whether additional taxes and interest may be settled. The Company and subsidiaries 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 judgments about future events. New information may become available that causes the Company and subsidiaries to change its judgment 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.
 4. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but the Company and subsidiaries intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.
 5. 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 each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realized.

4.14 Provisions

The Company and subsidiaries recognize a provision when an entity has a present legal or constructive obligation as a result of a past event. It is probable that an outflow of economic benefits resources will be required to settle the obligation and reliable estimate can be made of the amount of the obligation. If some or all the expenditure is required to settle a provision, is expected to be reimbursed when it is virtually certain that reimbursement will be received if the Company and subsidiaries settle the obligation. The amount recognized should not exceed the amount of the provision.

4.15 Measurement of fair values

The Company and subsidiaries have an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including level 3 fair values, and reports directly to CFO.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of TFRS, including the level in the fair value hierarchy in which such valuation should be classified.

When measuring the fair value of an asset or a liability, the Company and subsidiaries use market observable data as fair as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows :

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

If the inputs used to measure the fair value of an asset or liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company and subsidiaries recognized transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

4.16 Significant accounting judgements and estimates

The preparation of financial statements in conformity with Thai Financial Reporting Standards at times requires management to make subjective judgements and estimates regarding matters that are inherently uncertain. These judgements and estimates affect reported amounts and disclosures; and actual results could differ from these estimates. Significant judgements and estimates are as follows:

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 diminution in value of inventory

The determination of allowance for diminution in the value of inventory, requires management to make judgements and estimates. The allowance for decline in net realizable value is estimated based on the selling price expected in the ordinary course of business; and provision for obsolete, slow-moving and deteriorated inventories, is estimated based on the approximate useful life of each type of inventory.

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 estimate 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 impairment losses when it is determined that their recoverable amount is lower than the carrying amount. This requires judgements regarding forecast of future revenues and expenses relating to the assets subject to the review.

Intangible assets

The initial recognition and measurement of intangible assets, and subsequent impairment testing, require management 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.

Leases

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

Post-employment benefits under defined benefit plans and other long-term employee benefits

The obligation under the defined benefit plans and other long-term employee benefit plans are determined based on actuarial techniques. Such determination is made based on various assumptions, including discount rate, future salary increase rate, mortality rate and staff turnover rate.

4.17 Earnings per Share

Basic earnings per share is determined by dividing the profit (loss) for the year by the weighted average number of common shares issued and paid-up during the year.

Diluted earnings per share is calculated by dividing profit (loss) for the year by the weighted average of common share issued during the year added by the number of common shares issued for offering to warrant holders of the Company.

5. ADDITION DISCLOSURE OF STATEMENTS OF CASH FLOWS

5.1 Cash and cash equivalents

	<u>Consolidated financial statements (Baht)</u>		<u>Separate financial statements (Baht)</u>	
	2018	2017	2018	2017
Cash	792,414.87	902,127.24	550,312.18	710,685.83
Cash at bank - current accounts	57,306.22	36,524.08	34,000.00	34,000.00
Cash at bank - savings deposit	50,144,282.07	46,150,545.63	39,627,555.03	41,271,577.66
Total	<u>50,994,003.16</u>	<u>47,089,196.95</u>	<u>40,211,867.21</u>	<u>42,016,263.49</u>

5.2 Non-cash transaction

For the year 2018

Parent company

1) The Company entered into hire purchase vehicles agreement of Baht 2.49 million which was already made the initial installment in the amount of Baht 0.56 million. The remaining is presented as financial lease liabilities.

2) The Company has the outstanding for fixed assets acquisition amount of Baht 1.25 million which is presented as other current payables.

For the year 2017

Parent company

1) The Company entered into hire purchase vehicles agreement of Baht 1.25 million which was already made the initial installment in the amount of Baht 0.31 million. The remaining is presented as financial lease liabilities.

2) The Company has the outstanding for fixed assets acquisition amount of Baht 0.54 million which is presented as other current payables.

6. CURRENT INVESTMENT

	<u>Consolidated financial statements (Baht)</u>		<u>Separate financial statements (Baht)</u>	
	2018	2017	2018	2017
Investment in open-end fund :-				
KTPLUS	15,755,882.00	52,781,801.33	7,357,098.99	27,231,676.27
TMBTHANAPLUS	40,327,204.33	45,012,735.38	40,327,204.33	45,012,735.38
KTSTPLUS - A	45,557,501.53	20,067,974.42	45,557,501.53	20,067,974.42
K-CBOND	0.00	5,184.54	0.00	0.00
Total	<u>101,640,587.86</u>	<u>117,867,695.67</u>	<u>93,241,804.85</u>	<u>92,312,386.07</u>

Such fund invested in debt securities which had minimal risk.

7. TRADE AND OTHER CURRENT RECEIVABLES

	<u>Consolidated financial statements (Baht)</u>		<u>Separate financial statements (Baht)</u>	
	2018	2017	2018	2017
Trade accounts receivable	74,498,776.82	88,919,241.07	74,163,216.73	83,661,294.64
Other current receivables	9,830,879.90	10,302,884.23	9,489,633.89	10,655,257.46
Total	84,329,656.72	99,222,125.30	83,652,850.62	94,316,552.10
Less Allowance for doubtful accounts				
- Trade accounts receivable	(17,552,113.00)	(17,062,210.17)	(17,541,270.00)	(17,062,210.17)
Net	66,777,543.72	82,159,915.13	66,111,580.62	77,254,341.93

Billed trade accounts receivable separated on aging are as follows :

	<u>Consolidated financial statements (Baht)</u>		<u>Separate financial statements (Baht)</u>	
	2018	2017	2018	2017
Undue trade accounts receivable	31,600,916.23	42,526,655.79	31,302,253.74	39,593,777.80
Overdue trade accounts receivable				
- Less than 3 months	22,352,577.73	27,660,456.45	22,354,290.13	25,502,631.54
- Over 3 months to 6 months	2,317,929.53	1,752,052.18	2,314,229.53	1,584,808.65
- Over 6 months to 9 months	1,146,659.95	321,730.47	1,111,749.95	321,730.47
- Over 9 months to 12 months	208,742.62	0.00	208,742.62	0.00
- Over 12 months	16,871,950.76	16,658,346.18	16,871,950.76	16,658,346.18
Total	74,498,776.82	88,919,241.07	74,163,216.73	83,661,294.64

8. UNBILLED SERVICES INCOME

	<u>Consolidated financial statements (Baht)</u>		<u>Separate financial statements (Baht)</u>	
	2018	2017	2018	2017
Unbilled services income	60,627,256.07	43,823,552.05	60,302,677.24	44,039,571.18
Less Allowance for doubtful accounts	(474,777.40)	(363,200.00)	(474,777.40)	(363,200.00)
Net	60,152,478.67	43,460,352.05	59,827,899.84	43,676,371.18

9. INVESTMENTS IN SUBSIDIARIES

Company's name	Type of business	Relationship	Paid-up share capital	Percentage of shareholding		Separate financial statements (Baht) Cost price		Separate financial statements (Baht) Dividend received	
				2018	2017	2018	2017	2018	2017
QLT International Company Limited	Providing engineering services, inspection and testing of agricultural crops in both Thailand and oversea and engage in relevant business	The Company held 99.99% share capital, director and management have common-shareholding	10,250,000 Baht	99.99	99.99	10,249,385.00	10,249,385.00	19,998,800.00	19,998,800.00
Qualitech Myanmar Company Limited	Providing safety engineering services in Myanmar and engage in relevant business	The Company held 80.00% share capital have common director and management	150,000 USD	80.00	80.00	4,099,600.00	1,418,800.00	0.00	0.00
Total						14,348,985.00	11,668,185.00	19,998,800.00	19,998,800.00

9.1 On January 27, 2018, the Company has made payment for acquisition of investment in ordinary shares of Qualitech Myanmar Company Limited in the amount of USD 40,000 (400 ordinary shares at par value of USD 100 each) or equal to the percentage of investment at 80% of the issued and paid-up share capital.

9.2 According to the minutes of Board of Directors' meeting No.6/2017 held on August 9, 2017, passed the resolution to increase the registered share capital of Qualitech Myanmar Company Limited from USD 50,000 to USD 200,000 by issuing new 1,500 ordinary shares at par value of USD 100 each. The subsidiary has registered share capital on February 8, 2018. In the forth quarter of 2017, the subsidiary has called for and received the payment for increase share capital amount of USD 50,000 total paid-up share capital amount of USD 100,000 (1,000 ordinary shares of USD 100 each). The subsidiary has registered the paid-up share capital on March 23, 2018. As at December 31, 2017, the Company presented such payment for the increase share capital as other receivables for share capital prepayment.

9.3 In the third quarter of 2018, the subsidiary has called for and received the payment for increase share capital amount of USD 50,000, total paid-up share capital amount of USD 150,000 (1,500 ordinary shares of USD 100 each). The subsidiary has registered the paid-up share capital on September 11, 2018.

9.4 The financial statements for the year ended December 31, 2018 and 2017 of above subsidiaries have been taken for preparing the consolidated financial statements were audited by the auditor.

10. BANK DEPOSIT WITH OBLIGATIONS

As at December 31, 2018 and 2017, the Company has deposits at a bank amount of Baht 4.47 million and Baht 3.50 million in the consolidated financial statements and Baht 3.50 million in the separate financial statements respectively which are mortgaged as collateral against contingent liabilities from bank's issuance of letter of guarantee (note 31).

11. PROPERTY, PLANT AND EQUIPMENT

Consolidated financial statements (Baht)

	Land	Building	Building improvement	Office furniture and fixtures	Tools and technical equipment	Office equipment	Utilities system	Vehicles	Assets under construction	Total
Assets - cost :										
As at December 31, 2016	47,885,000.00	56,851,858.52	18,145,639.70	10,483,126.68	179,902,415.96	15,736,191.59	1,649,808.36	60,533,762.59	0.00	391,187,803.40
Acquisition	96,180.48	0.00	1,443,892.24	805,857.37	10,393,311.88	2,519,338.39	576,875.42	2,060,040.00	0.00	17,895,495.78
Disposal	0.00	0.00	0.00	(96,846.70)	(7,436,046.55)	(1,256,544.84)	0.00	(3,343,201.68)	0.00	(12,132,639.77)
As at December 31, 2017	47,981,180.48	56,851,858.52	19,589,531.94	11,192,137.35	182,859,681.29	16,998,985.14	2,226,683.78	59,250,600.91	0.00	396,950,659.41
Acquisition	0.00	0.00	442,778.37	132,346.68	13,505,783.70	1,000,178.80	0.00	2,993,332.57	12,946.48	18,087,366.60
Disposal	0.00	0.00	(61,600.00)	(639,432.29)	(12,448,411.31)	(2,564,250.30)	0.00	(2,495,093.30)	0.00	(18,208,787.20)
As at December 31, 2018	47,981,180.48	56,851,858.52	19,970,710.31	10,685,051.74	183,917,053.68	15,434,913.64	2,226,683.78	59,748,840.18	12,946.48	396,829,238.81
Accumulated depreciation :										
As at December 31, 2016	0.00	12,081,934.02	3,091,070.07	7,351,312.73	118,281,018.84	11,396,582.91	1,294,254.40	29,643,315.22	0.00	183,139,488.19
Depreciation for the year	0.00	2,842,592.43	1,020,854.60	1,080,193.76	19,473,589.59	2,465,559.24	133,490.93	3,818,754.19	0.00	30,835,034.74
Depreciation - write off	0.00	0.00	0.00	(90,680.98)	(7,185,024.99)	(1,260,206.53)	0.00	(3,136,689.25)	0.00	(11,672,601.75)
As at December 31, 2017	0.00	14,924,526.45	4,111,924.67	8,340,825.51	130,569,583.44	12,601,935.62	1,427,745.33	30,325,380.16	0.00	202,301,921.18
Depreciation for the year	0.00	2,842,592.43	1,067,174.13	984,662.26	16,391,046.57	2,085,384.38	187,111.56	3,721,059.48	0.00	27,279,030.81
Depreciation - write off	0.00	0.00	(19,665.49)	(415,509.02)	(10,555,088.97)	(2,258,666.60)	0.00	(2,117,306.07)	0.00	(15,366,236.15)
As at December 31, 2018	0.00	17,767,118.88	5,159,433.31	8,909,978.75	136,405,541.04	12,428,653.40	1,614,856.89	31,929,133.57	0.00	214,214,715.84
Net book value										
As at December 31, 2017	47,981,180.48	41,927,332.07	15,477,607.27	2,851,311.84	52,290,097.85	4,397,049.52	798,938.45	28,925,220.75	0.00	194,648,738.23
As at December 31, 2018	47,981,180.48	39,084,739.64	14,811,277.00	1,775,072.99	47,511,512.64	3,006,260.24	611,826.89	27,819,706.61	12,946.48	182,614,522.97

11. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

	Separate financial statements (Baht)									
	Land	Building	Building improvement	Office furniture and fixtures	Tools and technical equipment	Office equipment	Utilities system	Vehicles	Assets under construction	Total
Assets - cost :										
As at December 31, 2016	47,885,000.00	56,851,858.52	18,145,639.70	10,285,390.18	177,852,719.18	14,958,437.86	1,649,808.36	58,252,362.59	0.00	385,881,216.39
Acquisition	96,180.48	0.00	1,159,747.71	612,037.57	9,742,099.07	2,233,451.09	576,875.42	1,471,040.00	0.00	15,891,431.34
Disposal	0.00	0.00	0.00	(96,846.70)	(7,436,046.55)	(1,252,644.84)	0.00	(3,043,201.68)	0.00	(11,828,739.77)
As at December 31, 2017	47,981,180.48	56,851,858.52	19,305,387.41	10,800,581.05	180,158,771.70	15,939,244.11	2,226,683.78	56,680,200.91	0.00	389,943,907.96
Acquisition	0.00	0.00	442,778.37	118,455.23	11,811,269.98	988,611.69	0.00	2,993,332.57	12,946.48	16,367,394.32
Disposal	0.00	0.00	(61,600.00)	(293,594.46)	(9,910,901.68)	(1,868,630.37)	0.00	(1,711,693.30)	0.00	(13,846,419.81)
As at December 31, 2018	47,981,180.48	56,851,858.52	19,686,565.78	10,625,441.82	182,059,140.00	15,059,225.43	2,226,683.78	57,961,840.18	12,946.48	392,464,882.47
Accumulated depreciation :										
As at December 31, 2016	0.00	12,081,934.02	3,091,070.07	7,309,534.61	117,871,723.56	10,893,828.30	1,294,254.40	28,971,902.65	0.00	181,514,247.61
Depreciation for the year	0.00	2,842,592.43	934,192.78	1,005,951.63	18,983,479.96	2,342,711.72	133,490.93	3,570,263.25	0.00	29,812,682.70
Depreciation - write off	0.00	0.00	0.00	(90,680.98)	(7,185,024.99)	(1,259,402.10)	0.00	(3,001,675.55)	0.00	(11,536,783.62)
As at December 31, 2017	0.00	14,924,526.45	4,025,262.85	8,224,805.26	129,670,178.53	11,977,137.92	1,427,745.33	29,540,490.35	0.00	199,790,146.69
Depreciation for the year	0.00	2,842,592.43	972,469.09	930,768.03	15,886,635.49	1,993,687.41	187,111.56	3,548,799.09	0.00	26,362,063.10
Depreciation - write off	0.00	0.00	(19,665.49)	(283,053.94)	(9,439,954.46)	(1,842,078.95)	0.00	(1,649,026.48)	0.00	(13,233,779.32)
As at December 31, 2018	0.00	17,767,118.88	4,978,066.45	8,872,519.35	136,116,859.56	12,128,746.38	1,614,856.89	31,440,262.96	0.00	212,918,430.47
Net book value										
As at December 31, 2017	47,981,180.48	41,927,332.07	15,280,124.56	2,575,775.79	50,488,593.17	3,962,106.19	798,938.45	27,139,710.56	0.00	190,153,761.27
As at December 31, 2018	47,981,180.48	39,084,739.64	14,708,499.33	1,752,922.47	45,942,280.44	2,930,479.05	611,826.89	26,521,577.22	12,946.48	179,546,452.00

11.1 Tools and technical equipment as at December 31, 2018 and 2017 are as follows :

11.1.1 Tools and technical equipment as at December 31, 2018

(Unit : Baht)

Assets acquired	Cost	Accumulated depreciation	Net cost
Depreciation by straight-line method			
- Before October 23, 1999	1,094,861.17	(1,094,825.17)	36.00
- 2004 until present	85,245,269.82	(57,550,599.34)	27,694,670.48
Depreciation by double-declining balance method			
- Before October 23, 1999 to 2003	2,151,097.75	(2,151,061.75)	36.00
- 2006 until present	93,567,911.26	(81,219,498.93)	12,348,412.33
Total	182,059,140.00	(142,015,985.19)	40,043,154.81

11.1.2 Tools and technical equipment as at December 31, 2017

(Unit : Baht)

Assets acquired	Cost	Accumulated depreciation	Net cost
Depreciation by straight-line method			
- Before October 23, 1999	1,094,861.17	(1,094,825.17)	36.00
- 2004 until present	79,336,481.98	(47,636,926.56)	31,699,555.42
Depreciation by double-declining balance method			
- Before October 23, 1999 to 2003	2,151,097.75	(2,151,061.75)	36.00
- 2006 until present	97,576,330.80	(78,787,365.05)	18,788,965.75
Total	180,158,771.70	(129,670,178.53)	50,488,593.17

Depreciation for the year ended December 31, 2018 and 2017 were Baht 18.60 million and Baht 18.98 million respectively.

11.2 As at December 31, 2018 and 2017, land and building at cost of Baht 36.43 million in the consolidated and separate financial statements are mortgaged as collateral against overdrafts line amount of Baht 30 million and letter of guarantee line amount of Baht 30 million.

12. OTHER INTANGIBLE ASSETS

	Consolidated and Separate financial statements (Baht)	
	2018	2017
	<u>Computer software</u>	
Intangible assets - cost :		
Beginning balance	3,303,907.50	2,994,117.50
Increase	402,191.46	309,790.00
Ending balance	<u>3,706,098.96</u>	<u>3,303,907.50</u>
Accumulated amortization :		
Beginning balance	1,165,036.04	830,482.13
Amortization for the year	354,658.87	334,553.91
Ending balance	<u>1,519,694.91</u>	<u>1,165,036.04</u>
Net intangible assets value		
Beginning balance	<u>2,138,871.46</u>	<u>2,163,635.37</u>
Ending balance	<u>2,186,404.05</u>	<u>2,138,871.46</u>

13. DEFERRED TAX ASSETS

Consolidated financial statements (Baht)

	As at December	Recognize as (expenses) income in		As at December	Recognize as (expenses) income in		As at December
	31, 2016	profit or loss	other comprehensive	31, 2017	profit or loss	other comprehensive	31, 2018
		(Note 22.2)	income (Note 22.4)		(Note 22.2)	income (Note 22.4)	
Trade accounts receivable (allowance for doubtful accounts)	0.00	254,530.70	0.00	254,530.70	(15,378.33)	0.00	239,152.37
Inventories (allowance for devaluation of inventories)	0.00	21,073.95	0.00	21,073.95	(21,073.95)	0.00	0.00
Other non-current assets (provision for impairment)	0.00	0.00	0.00	0.00	11,295.27	0.00	11,295.27
Provisions for employee benefit	0.00	955,957.98	410,636.40	1,366,594.38	175,501.52	(500,897.39)	1,041,198.51
Total	0.00	1,231,562.63	410,636.40	1,642,199.03	150,344.51	(500,897.39)	1,291,646.15

Separate financial statements (Baht)

	As at December	Recognize as (expenses) income in		As at December	Recognize as (expenses) income in		As at December
	31, 2016	profit or loss	other comprehensive	31, 2017	profit or loss	other comprehensive	31, 2018
		(Note 22.2)	income (Note 22.4)		(Note 22.2)	income (Note 22.4)	
Trade accounts receivable (allowance for doubtful accounts)	0.00	206,446.70	0.00	206,446.70	32,705.67	0.00	239,152.37
Other non-current assets (provision for impairment)	0.00	0.00	0.00	0.00	11,295.27	0.00	11,295.27
Provisions for employee benefit	0.00	877,544.18	70,154.40	947,698.58	201,772.22	(111,134.79)	1,038,336.01
Total	0.00	1,083,990.88	70,154.40	1,154,145.28	245,773.16	(111,134.79)	1,288,783.65

14. OTHER NON-CURRENT ASSETS

	Consolidated and	
	Separate financial statements (Baht)	
	2018	2017
Deposit receivable under contract	4,537,908.17	4,026,705.80
Others	56,974.75	90,036.46
Total	4,594,882.92	4,116,742.26
Less Allowance for doubtful accounts	(3,622,564.07)	(3,622,564.07)
Provision for impairment of assets	(56,476.37)	(90,035.92)
Net	915,842.48	404,142.27

15. TRADE AND OTHER CURRENT PAYABLES

	Consolidated financial statements (Baht)		Separate financial statements (Baht)	
	2018	2017	2018	2017
Trade accounts payable	8,767,048.96	8,629,783.52	9,052,030.23	9,087,653.51
Other current payables				
Accrued expenses	14,644,175.15	20,393,931.75	14,078,038.32	17,072,039.69
Assets payables	1,249,845.60	629,240.20	1,249,845.60	542,998.20
Others	3,872,576.09	5,229,979.19	3,400,547.08	5,092,323.47
Total	28,533,645.80	34,882,934.66	27,780,461.23	31,795,014.87

16. FINANCIAL LEASE LIABILITIES

16.1 Financial lease liabilities excluded future interest expenses are as follows :

	Consolidated financial statements (Baht)		Separate financial statements (Baht)	
	2018	2017	2018	2017
Hire purchase payable	3,915,077.19	4,565,506.19	3,894,794.19	4,306,719.17
Less Current portion of long-term liabilities	(1,903,042.44)	(2,384,371.47)	(1,882,759.44)	(2,146,993.15)
Net	2,012,034.75	2,181,134.72	2,012,034.75	2,159,726.02

16.2 The Company's assets at cost are being made the payment under the aforementioned financial lease as follows:

	Consolidated financial statements (Baht)		Separate financial statements (Baht)	
	2018	2017	2018	2017
Vehicles	13,970,000.00	15,508,000.00	12,772,000.00	14,310,000.00

16.3 The minimum amounts to be paid under financial lease are as follows :

	Consolidated financial statements (Baht)		Separate financial statements (Baht)	
	2018	2017	2018	2017
Within 1 year	2,027,653.00	2,527,354.00	2,007,370.00	2,283,958.00
Over 1 year less than 3 years	1,806,442.00	2,105,771.00	1,806,442.00	2,085,488.00
Over 3 years less than 5 years	296,584.00	150,228.00	296,584.00	150,228.00
Total	4,130,679.00	4,783,353.00	4,110,396.00	4,519,674.00
Less Future interest expenses of financial lease	(215,601.81)	(217,846.81)	(215,601.81)	(212,954.83)
Present value of financial lease liabilities	3,915,077.19	4,565,506.19	3,894,794.19	4,306,719.17

17. NON-CURRENT PROVISIONS FOR EMPLOYEE BENEFIT

17.1 The Company and subsidiaries had an employee benefit obligation based on the requirement of Thai Labour Protection Act B.E. 2541 (1998) to provide retirement benefits to employees based on pensionable remuneration and length of service and long-term service awards.

17.2 The defined benefit plans expose the Company and subsidiaries to actuarial risks, such as longevity risk, currency risk, interest rate risk and market (investment) risk.

17.3 Non-current provisions for employee benefit in statement of financial position are as follows:

	Consolidated		Separate	
	financial statements (Baht)		financial statements (Baht)	
	2018	2017	2018	2017
Present value of provisions	14,288,934.55	16,027,125.01	14,274,622.03	13,932,646.00

Movement in the present value of the employee benefit obligations

	Consolidated		Separate	
	financial statements (Baht)		financial statements (Baht)	
	2018	2017	2018	2017
As at January 1,	16,027,125.01	10,833,238.01	13,932,646.00	10,791,383.00
Losses (Gains) on remeasurment				
of defined benefit plan	(3,476,649.01)	2,733,789.00	(1,527,836.00)	1,031,379.00
Employee benefits decrease	(137,193.50)	0.00	0.00	0.00
Current service costs and interest	1,875,652.05	2,460,098.00	1,869,812.03	2,109,884.00
As at December 31,	14,288,934.55	16,027,125.01	14,274,622.03	13,932,646.00

Expense recognized in profit or loss

	Consolidated		Separate	
	financial statements (Baht)		financial statements (Baht)	
	2018	2017	2018	2017
Current service costs	1,543,389.64	2,034,179.00	1,540,246.74	1,718,009.00
Interest on obligation	332,262.41	425,919.00	329,565.29	391,875.00
Total	1,875,652.05	2,460,098.00	1,869,812.03	2,109,884.00

17.4 The Company and subsidiaries recognized the expenses in the following items in the statement of comprehensive income.

	Consolidated		Separate	
	financial statements (Baht)		financial statements (Baht)	
	2018	2017	2018	2017
Cost of services	888,432.36	977,400.00	888,432.36	977,400.00
Administrative expenses	654,957.28	1,056,779.00	651,814.38	740,609.00
Finance costs	332,262.41	425,919.00	329,565.29	391,875.00
Total	1,875,652.05	2,460,098.00	1,869,812.03	2,109,884.00

Actuarial losses (gains) recognized in other comprehensive income.

	Consolidated		Separate	
	financial statements (Baht)		financial statements (Baht)	
	2018	2017	2018	2017
Included in retained earnings :				
As a January 1	2,358,797.00	(374,992.00)	763,499.58	(267,879.42)
Recognized during the year	(3,476,649.01)	2,733,789.00	(1,527,836.00)	1,031,379.00
As at December 31	(1,117,852.01)	2,358,797.00	(764,336.42)	763,499.58

17.5 Principal actuarial assumptions at the reporting date (expressed as weighted averages):

	Consolidated		Separate	
	financial statements (%)		financial statements (%)	
	2018	2017	2018	2017
Discount rate	2.67	2.88	2.67	2.88
Salary increase rate	3 - 4	6.60 - 8.60	3 - 5	6.60 - 7.00

17.6 Assumptions regarding future mortality are based on published statistics and Thailand Mortality Ordinary Life table 2008 (“TMO08”).

17.7 Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below :

	Consolidated		Separate	
	financial statements (Baht)		financial statements (Baht)	
Defined benefit obligation				
as at December 31, 2018	Increase	Decrease	Increase	Decrease
Discount rate (0.5% movement)	(946,210.00)	1,045,559.00	(915,223.00)	1,012,802.00
Salary increase rate (0.5% movement)	1,009,183.00	(921,144.00)	980,072.00	(893,361.00)
Mortality rate (0.5% movement)	(5,088.00)	5,090.00	(4,876.00)	4,878.00
Turnover rate (10% movement)	(1,047,999.00)	1,200,503.00	(1,025,230.00)	1,177,441.00

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

17.8 As stated in notes 4.12.2 to financial statements, the Company and subsidiaries shall record the effects of new Labour Protection Act when it is announced in the Government Gazette which may be effective in 2019. At present, the Company expects that the additional employee benefits to be paid amount of Baht 3.79 million will be provided when it becomes effective.

18. SHARE CAPITAL

For the year 2018

According to the minutes of the shareholders' extraordinary meeting No. 1/2018 held on July 19, 2018, passed the resolution to decrease shares capital from Baht 103.47 million to Baht 98.57 million by reducing 4.90 million ordinary shares at par value of Baht 1 each for which have to issue to the holders of warrants to purchase ordinary shares since the Company has already cancelled the Company's warrants to purchase ordinary share (note 19).

The Company registered such decrease share capital with the Ministry of Commerce on August 2, 2018.

For the year 2017

According to the annual general shareholders' meeting for the year 2017 held on April 5, 2017, the shareholders passed the resolution as follows :

- 1) Issue the ESOP-W2 warrants for 4.90 million units at the exercised ratio of 1 unit of warrant per 1 ordinary share at the price of Baht 7.30 each. The exercise period is 3 years from the date of issuance and offering (in the 1st year can be exercised right not exceed 20% the 2nd year can be exercised right not exceed 70% and the remaining can be exercised in the 3rd year). The exercise right will be made on the 15th of March and September. The first exercise right commenced on September 15, 2018 and the last exercise right is on June 14, 2020 and the Company has already issued such warrants on June 15, 2017.
- 2) Increase the registered share capital for reserve the exercised ESOP-W2 from Baht 98.57 million to Baht 103.47 million by issuing 4.90 million ordinary shares at par value of Baht 1 each. The Company has registered the increase share capital with the Ministry of Commerce on May 1, 2017.

19. CAPITAL RESERVE FROM SHARE-BASE PAYMENT

According to the minutes of the shareholders' extraordinary meeting No. 1/2018 held on July 19, 2018, passed the resolution to cancel the issuance of 4.90 million units of warrants No. 2 (ESOP-W2) of the Company. The effects of warrants cancellation, resulting to the Company has to recognize expenses in the amount of Baht 4.31 million in statements of comprehensive income immediately.

20. LEGAL RESERVE

By virtue of the Public Company Limited Act, the Company is required to set aside the reserve as a legal reserve at least 5% of its annual net income after deduction of the deficit brought forward (if any) until the reserve reaches 10% of authorized share capital. The reserve is not available for dividend distribution.

21. DIVIDEND PAID

For the year 2018

Parent company

According to the annual general shareholders' meeting for the year 2018 held on April 11, 2018, passed the resolution to pay dividend from profit for the year 2017 to the shareholders at Baht 0.35 per share, amount of Baht 34.50 million which was already paid interim dividend at Baht 0.05 per share amount of Baht 4.93 million, the remaining to be paid at Baht 0.30 per share for 98.57 million ordinary shares, totally Baht 29.57 million. During the year, the Company has fully paid such dividend.

Subsidiaries

According to the minutes of Board of directors' meeting No. 2/2018 held on December 6, 2018, passed the resolution to pay interim dividend from the results of operating profit to the shareholders at Baht 100 per share total amount of Baht 20 million. During the year, the subsidiary has fully paid such dividend.

For the year 2017

Parent company

According to the annual general shareholders' meeting for the year 2017 held on April 5, 2017, the shareholders passed the resolution to pay dividend from profit for the year 2016 to the shareholders at Baht 0.25 per share, total amount of Baht 24.64 million by making interim dividend payment at Baht 0.10 per share amount of Baht 9.86 million, thus, the remaining annual dividend payment at Baht 0.15 per share for 98.57 million ordinary shares, total amount of Baht 14.78 million. During the year, the Company has fully paid such dividend.

According to the minutes of Board of Directors' meeting No. 6/2017 held on August 9, 2017, passed the resolution to pay dividend from the result of six-months profit for the year 2017 to the shareholders at Baht 0.05 per share total amount of Baht 4.93 million. During the year, the Company has fully paid such dividend.

Subsidiaries

According to the minutes of Board of directors' meeting No. 1/2017 held on September 1, 2017, passed the resolution to pay dividend from operating profit to the shareholders at Baht 100 per share total amount of Baht 20 million. During the year, the subsidiary has fully paid such dividend.

22. INCOME TAX

22.1 The calculation of current income taxes

For the year 2018 and 2017, the Company and its subsidiaries calculated corporate income tax at the rate of 20% of profit (loss) before deducting with tax expenses for the year and added back other expenses which shall not be allowed as expenses in tax calculation (if any) except the exempted profit derived from promoted activities (note 28).

22.2 Income tax recognized in profit or loss

	Consolidated financial statements (Baht)		Separate financial statements (Baht)	
	2018	2017	2018	2017
Current income tax				
For the current year	2,492,345.00	4,995,469.04	1,234,441.60	2,527,963.68
Deferred tax				
Changes in temporary differences	(150,344.51)	(1,231,562.63)	(245,773.16)	(1,083,990.88)
Total income tax	2,342,000.49	3,763,906.41	988,668.44	1,443,972.80

22.3 Reconciliation for effective income tax rate

	Consolidated financial statements (Baht)		Separate financial statements (Baht)	
	2018	2017	2018	2017
Profit (loss) before income tax from				
Continuing operations	13,006,714.74	22,105,418.73	26,477,292.38	39,881,844.53
Discontinued operations	(1,197,513.12)	7,747,669.13	0.00	0.00
Profit before income tax	11,809,201.62	29,853,087.86	26,477,292.38	39,881,844.53
Income tax rate (%)	20	20	20	20
Income tax	2,361,840.32	5,970,617.57	5,295,458.48	7,976,368.90
Prohibited taxable expenses	1,773,298.36	277,999.94	1,486,108.15	(47,925.00)
Additional taxable expenses	(250,622.61)	(416,421.00)	(250,622.61)	(416,421.00)
Exempted income	0.00	0.00	(3,999,760.00)	(3,999,760.00)
Promoted profit	(1,542,515.58)	(2,068,290.10)	(1,542,515.58)	(2,068,290.10)
Total income tax	2,342,000.49	3,763,906.41	988,668.44	1,443,972.80
Income tax rate (%)	20	13	4	4

22.4 Income tax recognized in other comprehensive income

	Consolidated financial statements (Baht)		Separate financial statements (Baht)	
	2018	2017	2018	2017
(Gains) losses on remeasurement of defined benefit plans				
Before income tax	(3,476,649.01)	2,733,789.00	(1,527,836.00)	1,031,379.00
Tax expense (income)	500,897.39	(410,636.40)	111,134.79	(70,154.40)
Net of tax	(2,975,751.62)	2,323,152.60	(1,416,701.21)	961,224.60

23. DISCONTINUED OPERATIONS OF SUBSIDIARY

On September 1, 2018, the subsidiary (QLT International Company Limited) entered into agreement to sell in business of Inspecting and Fumigating of Agricultural products to a company in accordance with the Board of directors' meeting of the parent company No. 6/2018 held on August 31, 2018 in the price of Baht 11.41 million and the subsidiary has already transferred such segment to the buyer on September 5, 2018. As a result, the subsidiary has gain on sale of segment amount of Baht 9.46 million. During the period, the subsidiary has received the payment already.

Transactions included in statements of comprehensive income for the year ended December 31, 2018 and 2017, discontinued operations are as follows :

	Consolidated financial statements (Baht)	
	2018	2017
Total revenues	15,931,450.69	40,293,851.32
Total costs	(13,322,392.79)	(25,889,771.50)
Total other income	41.75	421.15
Total expenses	(3,806,612.77)	(6,656,831.84)
Profit (loss) before income tax expense	(1,197,513.12)	7,747,669.13
Tax expense	0.00	(1,548,593.62)
Profit (loss) for the period from discontinued operations	(1,197,513.12)	6,199,075.51
Basic earnings per share		
Profit (loss) from discontinued operations	(0.01)	0.06

24. TRANSACTIONS WITH RELATED PERSONS AND PARTIES

Part of the Company and subsidiaries' assets, liabilities, revenues and expenses arose from transaction with persons and related parties. Those transactions are based on the conditions as the group of companies concerned and in the normal course of business as detailed following :

24.1 General information

Name	Relationship	Description	Pricing policy
Related persons			
Mr. Sumet Techachainiran	The Company's director and shareholder	Guarantee	Non-service charge
Ms. Yanakorn Rattakham	The Company's director and shareholder's daughter	Rental	At agreed price
Subsidiary companies			
QLT International Company Limited	The Company held 99.99% share capital, director and management have common shareholding	Income - rental Income - management service fee Wages Materials supply	At agreed price At agreed price At agreed price At agreed price
Qualitech Myanmar Company Limited	The Company held 80% share capital, have director and management	Income - wages	Close to market value
Other company			
Duwell Intertrade Co., Ltd.	Common directors	Materials supply	Close to market value

24.2 Assets and liabilities transaction with related persons and parties are as follows :

	Consolidated financial statements (Baht)		Separate financial statements (Baht)	
	2018	2017	2018	2017
QLT International Company Limited				
Trade and other current receivables	0.00	0.00	24,800.00	72,893.00
Unbilled services income	0.00	0.00	0.00	530,691.59
Trade and other current payables	0.00	0.00	407,605.80	2,564,280.31

	Consolidated financial statements (Baht)		Separate financial statements (Baht)	
	2018	2017	2018	2017
Qualitech Myanmar Company Limited				
Unbilled services income	0.00	0.00	0.00	648,800.00
Duwell Intertrade Co., Ltd.				
Trade and other current payables	406,600.00	0.00	406,600.00	0.00

24.3 Revenues and expenses transaction with related persons and parties are as follows :

	Consolidated financial statements (Baht)		Separate financial statements (Baht)	
	2018	2017	2018	2017
Ms. Yanakorn Rattakham				
Cost of services - work place rental	185,263.12	280,210.47	0.00	0.00
QLT International Company Limited				
Other income - rental	0.00	0.00	87,476.64	238,323.37
Other income - management fee	0.00	0.00	205,607.49	724,299.08
Cost of services - wages	0.00	0.00	15,722.76	8,763,234.15
Cost of services - materials supply	0.00	0.00	2,645,020.24	1,515,264.00
Qualitech Myanmar Company Limited				
Service income - wages	0.00	0.00	207,735.00	648,800.00
Duwell Intertrade Co., Ltd.				
Cost of services - materials supply	380,000.00	0.00	380,000.00	0.00

25. DIRECTORS' REMUNERATION

Directors' remuneration represent the benefits paid to the Company's directors in accordance with section 90 of the Public Companies Act, excluding salaries and related benefits payable to executive directors.

26. MANAGEMENT BENEFIT EXPENSES

Management benefit expenses relating salaries, remunerations and other benefits paid to the directors and management, in accordance with the definitions of the Office of Securities and Exchange Commission. Management under definition includes a chief executive officer, the next four executive levels immediately below that chief executive officer and all persons in positions comparable to these fourth executive levels. Some of management benefit expenses are included in cost of services.

27. EXPENSES ANALYZED BY NATURE

Expenses analyzed by nature are as follows :

	Consolidated financial statements (Baht)		Separate financial statements (Baht)	
	2018	2017	2018	2017
Employee benefit expenses	214,750,566.72	228,694,269.37	204,175,530.13	205,567,573.52
Depreciation	27,331,060.02	30,835,034.94	26,414,092.31	29,812,682.70
Supplies used	22,928,314.44	31,132,962.31	19,761,291.32	24,454,922.68
Contractor wage	51,791,987.49	32,752,005.76	50,602,518.12	40,699,614.51
Travelling and accommodation expenses	12,127,072.02	13,777,457.97	10,644,136.68	10,856,716.69
Office expenses	9,145,267.91	10,119,463.75	8,724,533.40	9,398,136.12
Fee and consulting fee	2,657,858.77	3,719,181.07	2,355,249.92	3,354,238.25
Repairs and maintenance expenses	3,169,036.78	4,435,558.45	3,150,731.01	4,322,835.98
Directors' remuneration	2,095,700.00	2,298,100.00	2,095,700.00	2,298,100.00
Management benefit expenses	21,917,882.34	24,123,150.68	18,368,116.00	21,142,254.66

28. PROMOTIONAL PRIVILEGES

28.1 The Company and subsidiary were granted certain right and privileges as a promoted industry under the Promotion of Investment Act B.E. 2520 and the Board of Investment approved the activities under six promotion certificate for services providing of testing of welding and metal identification as the scientific testing, the certificate No. 1 dated December 28, 2005, No. 2 dated June 18, 2007, No. 3 dated August 4, 2008, No. 4 dated March 4, 2013, No. 5 dated March 21, 2016 and No. 6 dated March 27, 2017. The significant privileges are as follows:

28.1.1 To exempt the customs duties for imported machinery as approved by the Board of Investment.

28.1.2 To exempt the corporate income tax from net profit for the period of 8 years from the date of income earnings derives from the promoted activity. In the case where a loss has been incurred during the period of receiving exemption, the annual loss was granted permission to deduct with net profit accrued after the expiration of the period of exemption of income tax for a period of 5 years.

28.1.3 The Company's shareholders will be exempted the corporate income tax for dividend received from the Company all duration of income tax exemption of the Company.

The Company must to comply with the certain conditions and terms as stipulated in promotional certificate.

28.2 On October 7, 2016, a subsidiary made a notice to cancel investment promotion certificate No. 1737(1)/2557 since the services rederring of the Company do not correspond with the apply for investment promotion privileges.

28.3 The results of operation of the Company and subsidiaries for the year ended December 31, 2018 and 2017 separated into promoted business and non-promoted business as follows:

	Consolidated financial statements (Baht)					
	Promoted business		Non-promoted business		Total	
	2018	2017	2018	2017	2018	2017
Services income	230,598,948.45	250,024,364.21	134,710,212.77	135,188,964.97	365,309,161.22	385,213,329.18
Cost of services	(187,680,253.97)	(197,392,159.88)	(110,037,677.60)	(101,261,492.07)	(297,717,931.57)	(298,653,651.95)
Gross profit	42,918,694.48	52,632,204.33	24,672,535.17	33,927,472.90	67,591,229.65	86,559,677.23
Other income	203,475.76	1,494.96	12,067,706.98	3,394,381.68	12,271,182.74	3,395,876.64
Administrative expenses	(39,619,495.67)	(43,973,702.44)	(26,736,340.46)	(23,264,628.42)	(66,355,836.13)	(67,238,330.86)
Finance costs	(297,156.75)	(396,234.69)	(202,704.77)	(215,569.59)	(499,861.52)	(611,804.28)
Profit before income tax	3,205,517.82	8,263,762.16	9,801,196.92	13,841,656.57	13,006,714.74	22,105,418.73
Income tax expenses	0.00	0.00	(2,342,000.49)	(2,215,312.79)	(2,342,000.49)	(2,215,312.79)
Profit for the year from						
continuing operations	3,205,517.82	8,263,762.16	7,459,196.43	11,626,343.78	10,664,714.25	19,890,105.94
Profit for the year from						
discontinued operations	0.00	0.00	(1,197,513.12)	6,199,075.51	(1,197,513.12)	6,199,075.51
Profit for the year	3,205,517.82	8,263,762.16	6,261,683.31	17,825,419.29	9,467,201.13	26,089,181.45

29. OPERATING SEGMENTS

29.1 Operating segment information is reported in a manner consistent with the internal reports of the Company that are regularly reviewed by the chief operating decision maker in order to make decision about the allocation of resources to the segment and assess its performance. The chief operating decision maker of the Company has been identified as the President of executive directors.

29.2 The Company and subsidiaries' operations involve virtually in a single in services providing for nondestructive testing and inspect, testing and certification of welding work, metal work and equipment in both domestic and an overseas geographical segment since the overseas segment had services income less than 10% of services volume, therefore, the financial information by geographical segment has not been presented.

29.3 Revenues separated by nature of services are as follows:

	Consolidated financial statements	
	(Million Baht)	
	2018	2017
Non-Destructive Testing	151.38	141.83
Inspection and certificate - continuing operations	198.16	238.76
Inspection and certificate - discontinued operations	15.93	40.29
Mechanical Testing of materials	15.77	4.62

30. DISCLOSURE AND PRESENTATION OF FINANCIAL INSTRUMENTS

1) Accounting policy

The significant accounting policies and method adopted including the basis of recognition and measurement relating to each class of financial assets and liabilities have been disclosed in notes to financial statements No. 4.10.

2) Credit risk

Credit risk derives from failure by counterparties to discharge their obligations resulting in financial loss to the Company. The Company and subsidiaries have policy to hedge this credit risk by reviewing the financial status of customers and collecting based on the percentage of completion. Financial assets shown in statements of financial position at the book value deducted by allowance for doubtful accounts is maximum value of credit risk.

3) Interest rate risk

Interest rate risk from changes in market interest rate will affect the results of the Company and subsidiaries operations and cash flows. The Company and subsidiaries exposed the interest rate risk due to its deposits at bank and financial lease liabilities. The Company and subsidiaries do not use derivative financial instruments to hedge such risk.

4) Fair value of financial instruments

Financial assets shown in statements of financial position consist of cash and cash equivalents, current investment, trade and other current receivables, long-term investments and bank deposits with obligations. Financial liabilities shown in statements of financial position consist of trade and other current payables, and financial lease liabilities.

Book value of financial assets and liabilities are close to their fair value.

31. COMMITMENT AND CONTINGENT LIABILITIES

31.1 The Company and subsidiaries have commitment under purchase and hire agreement with several seller as at December 31, 2018 and 2017 total amount of Baht 11.49 million and Baht 8.23 million in the consolidated financial statements in the separate financial statements respectively.

31.2 The subsidiary has commitment under lease office building agreement as at December 31, 2017 amount of Baht 0.22 million.

31.3 The Company and subsidiaries have contingent liabilities from a local bank's issuance of letter of guarantee for the results of work to customers of the Company and guarantee the electricity usage to government agency, as at December 31, 2018 and 2017 total amount of Baht 15.48 million and Baht 14.15 million in the consolidated financial statements, and Baht 14.51 million and Baht 14.15 million in the separate financial statements respectively. Contingent liabilities are guaranteed by bank deposits (note 10).

32. PROVIDENT FUND

On February 8, 2006, the Company has joined to be a member of provident fund named "Peum Kuan Mun Kong Registered Provident fund" which registered in accordance with the Provident Fund Act B.E. 2530 and the amendment by appointing the fund management to be fund manager. The fund is contributed to both by the employees and the Company at the same rate of 3-9% based on length of works. The accumulation and benefits will be paid to the members upon their retirement, death or resignation.

This fund is managed by Kasikorn Thai Assets Management Company Limited. For the year 2018 and 2017, the Company has contribution expenses in the amount of Baht 3.29 million and Baht 3.58 million respectively.

33. CAPITAL MANAGEMENT

The objective of financial management of the Company is to preserve the ability to continue its operation as a going concern and the capital structure to be properly appropriated.

34. EVENTS AFTER THE REPORTING PERIOD

According to the minutes of Board of directors' meeting No. 2/2019 held on February 16, 2019, passed the resolution to submit to the shareholders' general meeting for approval the dividend payment from profit for the year 2018 to the shareholders at Baht 0.25 per share, amounting to Baht 24.64 million .

35. FINANCIAL STATEMENTS APPROVAL

These financial statements were approved and authorized for issue by the Board of directors of the Company on February 16, 2019.