

GMO-Z COM SECURITIES (THAILAND) LIMITED

Financial Statements

Year ended December 31, 2018

REPORT OF THE INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

TO THE SHAREHOLDERS AND BOARD OF DIRECTORS GMO-Z COM SECURITIES (THAILAND) LIMITED

Opinion

We have audited the financial statements of GMO-Z com Securities (Thailand) Limited (the “Company”), which comprise the statement of financial position as at December 31, 2018, and the related statements of comprehensive income, changes in owners’ equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of GMO-Z com Securities (Thailand) Limited as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with Thai Financial Reporting Standards (“TFRSs”).

Basis for Opinion

We conducted our audit in accordance with Thai Standards on Auditing (“TSAs”). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Federation of Accounting Professions’ Code of Ethics for Professional Accountants together with the ethical requirements that are relevant to the audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

Without modifying our opinion, we have audited the adjustments for corrections of prior period errors, as described in Note 4 to the financial statements that were applied to restate for the financial statements for the period from April 1, 2017 to December 31, 2017, and the statement of financial position as at April 1, 2017 of GMO-Z com Securities (Thailand) Limited. In our opinion, such adjustments are appropriate and have been properly applied.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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



Chavala Tienpasertkij
Certified Public Accountant (Thailand)
Registration No. 4301

BANGKOK
March 14, 2019

DELOITTE TOUCHE TOHMATSU JAIYOS AUDIT CO., LTD.

GMO-Z COM SECURITIES (THAILAND) LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2018

UNIT : BAHT

	Notes	As at December 31, 2018	As at December 31, 2017 “Restated”	As at April 1, 2017 “Restated”
ASSETS				
ASSETS				
Cash and cash equivalents	5.1	148,700,344	427,040,658	142,085,792
Securities and derivatives business receivables	6	1,609,505,015	12,434,436	-
Investments	7.1	91,081,765	294,421,347	812,820,000
Loans to employees	8	323,162	163,735	-
Leasehold improvement and equipment	9	19,644,691	24,336,870	7,125,287
Intangible assets	10	251,544,002	113,970,746	11,428,000
Other assets	11	40,439,046	30,603,409	9,657,556
TOTAL ASSETS		2,161,238,025	902,971,201	983,116,635

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

GMO-Z COM SECURITIES (THAILAND) LIMITED
STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT DECEMBER 31, 2018

UNIT : BAHT

	Notes	As at December 31, 2018	As at December 31, 2017 "Restated"	As at April 1, 2017 "Restated"
LIABILITIES AND OWNERS' EQUITY				
LIABILITIES				
Borrowings from financial institutions	12	1,376,963,000	-	-
Payables to Clearing House and broker - dealers	13	30,140,955	9,011,486	-
Securities and derivatives business payables	14	13,769,828	182,008	-
Provisions	15	7,213,793	3,865,144	561,351
Other liabilities	16	28,916,509	28,850,656	10,275,732
TOTAL LIABILITIES		1,457,004,085	41,909,294	10,837,083
OWNERS' EQUITY				
SHARE CAPITAL				
Issued and paid-up share capital				
100,000,000 ordinary shares of Baht 10 each, fully paid		1,000,000,000	1,000,000,000	1,000,000,000
ACCUMULATED DEFICITS				
Unappropriated (deficits)		(295,766,060)	(138,938,093)	(27,720,448)
TOTAL OWNERS' EQUITY		704,233,940	861,061,907	972,279,552
TOTAL LIABILITIES AND OWNERS' EQUITY		2,161,238,025	902,971,201	983,116,635

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

GMO-Z COM SECURITIES (THAILAND) LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2018

UNIT : BAHT

	Note	For the year ended December 31, 2018	For the period from April 1, 2017 to December 31, 2017 "Restated"
REVENUES			
Brokerage fees		6,424,343	65,299
Interest on margin loans		36,781,303	54,493
Gains and return on financial instruments		5,228,565	9,546,820
Other incomes		809,068	34,507
Total Revenues		<u>49,243,279</u>	<u>9,701,119</u>
EXPENSES			
Employee benefits expenses		85,944,732	51,625,405
Fees and service expenses		7,535,882	2,555,521
Finance costs		15,893,989	-
Other expenses	19	<u>96,696,643</u>	<u>66,574,496</u>
Total Expenses		<u>206,071,246</u>	<u>120,755,422</u>
LOSS BEFORE INCOME TAX		(156,827,967)	(111,054,303)
INCOME TAX		-	-
LOSS FOR THE PERIOD/YEAR		<u>(156,827,967)</u>	<u>(111,054,303)</u>
OTHER COMPREHENSIVE EXPENSE		-	(163,342)
TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD/YEAR		<u>(156,827,967)</u>	<u>(111,217,645)</u>
BASIC LOSS PER SHARE	BAHT	(1.57)	(1.11)
WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES	SHARES	100,000,000	100,000,000

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

GMO-Z COM SECURITIES (THAILAND) LIMITED
STATEMENT OF CHANGES IN OWNERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2018

UNIT : BAHT

	Notes	Issued and Paid-up Share Capital	Accumulated deficits Unappropriated (Deficits)	Total Owners' Equity
Beginning balance as at April 1, 2017 - as previously reported		1,000,000,000	(26,874,515)	973,125,485
Effects of corrections of errors	4	-	(845,933)	(845,933)
Beginning balance as at April 1, 2017 - restated		1,000,000,000	(27,720,448)	972,279,552
Total comprehensive expense for the period		-	(111,217,645)	(111,217,645)
Ending balance as at December 31, 2017		<u>1,000,000,000</u>	<u>(138,938,093)</u>	<u>861,061,907</u>
 Beginning balance as at January 1, 2018 - as previously reported		1,000,000,000	(132,966,462)	867,033,538
Effects of corrections of errors	4	-	(5,971,631)	(5,971,631)
Beginning balance as at January 1, 2018 - restated		1,000,000,000	(138,938,093)	861,061,907
Total comprehensive expense for the year		-	(156,827,967)	(156,827,967)
Ending balance as at December 31, 2018		<u>1,000,000,000</u>	<u>(295,766,060)</u>	<u>704,233,940</u>

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

GMO-Z COM SECURITIES (THAILAND) LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

UNIT : BAHT

	For the year ended December 31, 2018	For the period from April 1, 2017 to December 31, 2017 "Restated"
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	(156,827,967)	(111,054,303)
Adjustments to reconcile loss before income tax to cash received (paid) from operating activities:		
Depreciation and amortization expense	20,170,946	5,212,281
Amortization of interest expense	368,020	665,296
Finance costs	15,893,989	-
Interest income	(5,228,565)	(9,546,820)
Interest on margin loans	(36,781,303)	(54,493)
Employee benefits expenses	3,325,174	1,977,435
Loss from operating activities before changes in operating assets and liabilities	(159,079,706)	(112,800,604)
(Increase) decrease in operating assets		
Securities and derivatives business receivables	(1,589,938,378)	(12,380,551)
Investments	203,596,382	518,398,653
Other assets	(9,824,680)	(22,206,557)
Increase (decrease) in operating liabilities		
Payables to Clearing House and broker - dealers	21,129,469	9,011,486
Securities and derivatives business payables	13,587,820	182,008
Other liabilities	(5,807,167)	8,882,705
Cash received (paid) in operating activities	(1,526,336,260)	389,087,140
Cash received from interest income	34,866,709	10,808,132
Cash paid for interest expenses	(14,909,798)	-
Net cash provided by (used in) operating activities	(1,506,379,349)	399,895,272

GMO-Z COM SECURITIES (THAILAND) LIMITED
STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2018

UNIT : BAHT

	For the year ended December 31, 2018	For the period from April 1, 2017 to December 31, 2017 “Restated”
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash paid for purchases of general investments	(256,800)	-
Cash paid from loans to employees	(159,427)	(163,735)
Cash paid for purchases of leasehold improvement and equipment	(2,988,303)	(11,666,851)
Cash paid for purchases of intangible assets	(142,872,595)	(101,013,797)
Net cash used in investing activities	<u>(146,277,125)</u>	<u>(112,844,383)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash received from borrowings from financial institutions	1,376,963,000	-
Cash paid for liabilities under finance lease agreements	(2,646,840)	(2,096,023)
Net cash provided by (used in) financing activities	<u>1,374,316,160</u>	<u>(2,096,023)</u>
Net increase (decrease) in cash and cash equivalents	(278,340,314)	284,954,866
Cash and cash equivalents at the beginning of period	427,040,658	142,085,792
Cash and cash equivalents at the ending of period	<u><u>148,700,344</u></u>	<u><u>427,040,658</u></u>

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

GMO-Z COM SECURITIES (THAILAND) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

1. BUSINESS OPERATIONS AND OTHER INFORMATION OF THE COMPANY

- 1.1 GMO-Z com Securities (Thailand) Limited (the “Company”) is incorporated as a limited company under Thai laws. The Company’s registered office is located at No. 9, 15th Floor South Wing, G Tower Grand Rama 9, Rama 9 Road, Kwaeng Huaykwang, Khet Huaykwang, Bangkok. The parent company is GMO Financial Holdings, Inc., which changed its Company’s name from GMO CLICK Holdings, Inc. on October 1, 2017, which is incorporated in Japan, by holding 99.99% of Company’s paid up share capital and the ultimate parent company of the group is GMO Internet, Inc.
- 1.2 On May 25, 2017, the board of directors’ meeting passed a resolution to change the Company’s financial reporting period from April 1 to March 31 of each year to be January 1 to December 31, of each year. The first fiscal year of the change is April 1, 2017 to December 31, 2017 which the change was approved by the Revenue Department on August 10, 2017 and the Department of Business Development on August 18, 2017.
- 1.3 On June 22, 2017, the Company obtained securities business license type A (Full-service License) to operate securities business consisting of securities brokerage, securities dealing, securities underwriting, investment advisory service, mutual fund management, private fund management, securities borrowing and lending and venture capital management and obtained derivatives business license type Sor-1 (Full-service License) to operate securities business consisting of derivatives broker, derivatives dealer, derivatives advisor and derivatives fund management.

2. BASIS FOR PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS

- 2.1 The Company maintains its accounting records in Thai Baht and prepares its statutory financial statements in Thai language in conformity with Thai Financial Reporting Standards (“TFRSs”) and accounting practices generally accepted in Thailand and in accordance with the Notifications the Securities and Exchange Commission (the “SEC”).
- 2.2 The Company’s financial statements have been prepared in accordance with the Thai Accounting Standard (“TAS”) No. 1 (Revised 2017) “Presentation of Financial Statements”, which was effective for financial periods beginning on or after January 1, 2018 onward, and presented the Notification of the SEC No. SorTor. 22/2559, dated June 2, 2016, regarding “The Form of Financial Statements for Securities Companies (No. 2)”.
- 2.3 The financial statements have been prepared under the historical cost convention except as disclosed in the significant accounting policies.

2.4 Thai Financial Reporting Standards affecting the presentation and disclosure in the current year financial statements

During the period, the Company has adopted the revised and new financial reporting standards issued by the Federation of Accounting Professions which become effective for fiscal years 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 directed towards revision of wording and terminology, and provision of interpretations and accounting guidance to users of standards. The adoption of these financial reporting standards does not have any significant impact on the Company's financial statements.

2.5 Thai Financial Reporting Standards announced in the Royal Gazette but not yet effective

2.5.1 Thai Financial Reporting Standards which will be effective for the financial statements with fiscal years beginning on or after January 1, 2019

New Thai Financial Reporting Standards and Thai Financial Reporting Standard Interpretation

The Federation of Accounting Professions has issued the Notification regarding Thai Financial Reporting Standards and Thai Financial Reporting Standard Interpretation which have been announced in the Royal Gazette and will be effective for the financial statements for the period beginning on or after January 1, 2019 onwards.

Thai Financial Reporting Standards ("TFRS")

TFRS 1	First-time Adoption of International Financial Reporting Standards
TFRS 15	Revenue from Contracts with Customers

Thai Financial Reporting Standard Interpretation ("TFRIC")

TFRIC 22	Foreign Currency Transactions and Advance Consideration
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Thai Financial Reporting Standards (TFRSs) Revised 2018

The Federation of Accounting Professions has issued the Notification regarding Thai Financial Reporting Standards ("TFRSs") Revised 2018 which have been announced in the Royal Gazette and will be effective for the financial statements for the period beginning on or after January 1, 2019 onwards. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards, with most of the changes directed towards revision of wording and terminology and reference to other TFRSs except following TFRSs, which there are revision or additional paragraph and accounting guidance.

Thai Accounting Standards (“TAS”)

TAS 28 (Revised 2018) Investment in Associates and Joint Ventures
TAS 40 (Revised 2018) Investment Property

Thai Financial Reporting Standards (“TFRS”)

TFRS 2 (Revised 2018) Share-based Payment
TFRS 4 (Revised 2018) Insurance Contracts

- 2.5.2 Thai Financial Reporting Standards which will be effective for the financial statements with fiscal years beginning on or after January 1, 2020

The Federation of Accounting Professions has issued the Notification regarding Thai Financial Reporting Standard Group of Financial Instruments which have been announced in the Royal Gazette and will be effective for the financial statements for the period beginning on or after January 1, 2020 onwards, as follows:

Thai Accounting Standards (“TAS”)

TAS 32 Financial Instruments: Presentation

Thai Financial Reporting Standards (“TFRS”)

TFRS 7 Financial Instruments: Disclosures
TFRS 9

Thai Financial Reporting Standard Interpretations (“TFRIC”)

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

The Company’s management will adopt such TFRSs in the preparation of the Company’s financial statements when it becomes effective. The Company’s management has assessed the impact of these TFRSs and considered that the adoption of these financial reporting standards does not have any significant impact on the financial statements of the Company in the period of initial application.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention except as disclosed in the significant accounting policies.

3.1 Cash and cash equivalents

Cash and cash equivalents include cash on hand, all bank accounts, promissory notes, treasury bills and government bonds maturing within 3 months or less from the date of acquisition and without commitments.

3.2 Receivables from Clearing House and broker - dealers / Payables to Clearing House and broker - dealers

Receivables from Clearing House and broker - dealers / Payables to Clearing House and broker - dealers comprise the net balances of receivable or payable to Thailand Clearing House ("TCH") for settlement of equity securities trading made through the Stock Exchange of Thailand, net receivable or payable to TCH for derivatives trades, and net receivable or payable to foreign securities trade settlement through foreign brokers.

3.3 Securities and derivatives business receivables and allowance for doubtful accounts

Securities and derivatives business receivables comprise the net balance receivable of securities and derivatives trading after less allowance for doubtful accounts and add accrued interest. Securities and derivatives business receivables which are receivable balance of cash accounts, credit balance accounts and other receivables such as overdue cash customer accounts and securities and derivatives receivables which are debt under litigation, debt compromise, debt settling in installments.

The Company has provided an allowance for doubtful debts based on a review of debtor's repayment capability, taking into consideration in recovery risk and value of collateral. An allowance will be set aside for doubtful debts that are not fully covered by collateral and/or debtors that cannot be recovered in full amount. Such debt classifications and provisions are in accordance with the following criteria:

a) Asset classified as bad debt is defined as the following criteria:

- (1) Debt which the Company has already pursuing collection effort but could not collect. The Company has already written off in accordance with tax law.
- (2) Debt which the Company has forgiven.

- b) Doubtful debt is defined as the uncollateralized portion of the value of a debt which meets the following criteria:
- (1) General loans, problem financial institution loans, and other loans which the collateral value is less than the loan balance.
 - (2) Principal or interest is overdue by more than 3 months for installment loans with repayments scheduled at least 3 months for each installment.
 - (3) Installment loans with repayments scheduled more than 3 months for each installment, unless there is clear evidence and a high degree of certainty that full repayment will be received.
- c) Sub-standard debt is defined as the collateralized portion of loans which meet the criteria in b).

Loans classified as bad debt will be written off when identified. Provision will be set aside for loans classified as doubtful at 100% of the loan balance. These conditions are complied with the guidelines stipulated by the SEC.

3.4 Investments

Investments consist of investment in deposits at financial institutions and other investments.

Investment in deposits at financial institutions include fixed deposit account, promissory notes, treasury bills and government bonds maturing more than 3 months from the date of acquisition.

Investments in equity securities which are not marketable are stated at cost, net allowance for impairment (if any).

3.5 Leasehold improvement and equipment and depreciation

Leasehold improvement and equipment are stated at cost less accumulated depreciation and allowance for loss on impairment of assets (if any).

Depreciation of leasehold improvement and equipment are calculated by reference to their costs on the straight-line basis over the following estimated useful lives:

Leasehold improvement	5 years
Office equipment	5 years
Furniture	5 years
Computer	3 years
Vehicle	5 years

The carrying amounts of the Company's assets are reviewed at the end of reporting period to determine whether there is any indication of a permanent allowance for diminution in value. If any such indication exists, the assets' recoverable amounts are estimated. The allowance for diminution in value will be recognized when the carrying amounts of assets are higher than net realizable value. A loss on allowance for diminution in value is recognized in the statement of comprehensive income.

3.6 Intangible assets and amortization

Intangible assets are computer software which stated at cost less accumulated amortization and allowance for loss on impairment of that assets (if any).

Amortization is charged to the statement of comprehensive income on a straight-line basis over its estimated useful lives as follows:

Computer software	3 - 5 years
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Intangible assets with indefinite useful lives are tested for impairment annually or whenever there is an indication that the intangible assets may be impaired and allowance for impairment is recognized (if any).

3.7 Securities and derivatives business payables

Securities and derivatives business payables are the obligations of the Company in respect of its securities and derivatives business with other parties, such as the net payable balances of cash accounts, securities delivery obligations as a result of short sales or securities borrowing, and obligations to return assets held by the Company as collateral for securities lending.

3.8 Provision for liabilities

Provisions are recognized when the Company has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

3.9 Provision for restoring costs of leasehold office improvements

Provision for restoring costs of leasehold office improvements represents the liability, incurred from the office lease agreements which are estimated based on quotation from vendor with discounted basis.

3.10 Employee benefits

Provident fund

The Company and their employees have jointly established a provident fund. The fund is monthly contributed by the employees and the Company. The contributions are held in a separate trust fund and the Company's contributions are recognized as expenses when incurred.

Short-term employee benefits

Salaries, wages, bonuses and contributions to the social security fund are recognized as expenses when incurred.

Post-employment benefits

Defined benefit plans

The Company has obligations in respect of the severance payments they must make to employees upon retirement under labor law. The Company treats these severance payment obligations as a defined benefit plan.

The obligation under the defined benefit plans is determined by an actuary based on actuarial techniques, using the Projected Unit Credit Method based on actuarial assumptions as at the statement of financial position date, using various factors including assessment of the average age and employment life of its employees, employee turnover and assumption of future salary increases. The employee benefits obligation is discounted to the present value as at the statement of financial position date and under the assumption that the employees of various ages will work with the Company until retirement age.

Actuarial gains and losses arising from post-employment benefits are recognized immediately in other comprehensive income (loss).

Past service cost related to the plan amendment is recognized as an expense in the statement of comprehensive income when the plan amendment is effective.

3.11 Revenue and expenses recognition

3.11.1 Brokerage fees income

Brokerage fees income from securities business and derivatives business are recognized as income on the transaction date.

3.11.2 Interest on margin loans

Interest is recognized as income over the term of the loans based on the amount of principal outstanding. No accrual has been made for certain loans which, under Notification No. KorThor. 33/2543 dated August 25, 2000 which is updated by Notification No. KorThor. 5/2544 dated February 15, 2001 of the SEC, are not qualified for recognition of interest on an accrual basis and consideration of other relevant factors.

3.11.3 Gains and return on financial instruments

Gains and return on financial instruments is interest on bank accounts which is recognized as income on an accrual basis.

3.11.4 Other incomes

Other incomes are recognized on an accrual basis.

3.11.5 Expenses

Expenses are recognized on an accrual basis.

3.12 Long-term lease agreements - as lessee

Operating leases

Leases of assets under which all the risks and rewards of ownership of assets substantially retained by the lessors, are classified as operating leases. Lease payments under operating leases are recognized as expenses in the statement of comprehensive income on the straight-line basis over the lease agreements.

Finance leases

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

3.13 Income tax

Income tax consist of corporate income tax currently and deferred tax.

Current income tax

Current income tax is provided in the accounts at the amount expected to be paid to the taxation authorities, based on taxable profits determined in accordance with tax legislation.

Deferred tax

Deferred income tax is provided on temporary differences between the tax bases of assets and liabilities and their carrying amounts at the end of each reporting period. Deferred income tax is determined using tax rates enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

The Company recognizes deferred tax liabilities for all taxable temporary differences while they recognize deferred tax assets for all deductible temporary differences and tax losses carried forward to the extent that it is probable that future taxable profit will be available against which such deductible temporary differences and tax losses carried forward can be utilized.

At each reporting date, the Company reviews and reduces the carrying amount of deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

The Company records deferred tax directly to owners' equity if the tax relates to items that are recorded directly to owners' equity.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

3.14 Basic earnings (loss) per share

Basic earnings (loss) per share as presented in the statements of comprehensive income is determined by dividing net profit (loss) for the period/year by the weighted average number of common shares outstanding during the period/year.

3.15 Foreign currency transaction

Transactions in foreign currencies are converted into Baht at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are converted into Baht at the exchange rate ruling at the end of reporting date.

Gains and losses on exchange rate are included in determining income.

3.16 Financial instruments

The Company has not speculated in or engaged in trading of any derivatives instruments.

Financial instruments carried in the statement of financial position include cash and cash equivalents. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

3.17 Fair value measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

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

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

3.18 Use of management's critical judgments and key sources of estimation uncertainty

3.18.1 Use of management's critical judgments in applying accounting policies

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

3.18.2 Key sources of estimation uncertainty

Fair value measurements and valuation processes

Some of the Company's assets and liabilities are measured at fair value for financial reporting purposes. The Company's management has to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset or liability, the Company uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Company engages third party qualified valuers to perform the valuation. The Company's management works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model and reports the valuation committee's findings to the board of directors of the Company every quarter to explain cause of fluctuations in the fair value of the assets and liabilities.

4. CORRECTIONS OF PRIOR PERIOD ERRORS

During the year 2018, the Company found the errors of the prior year accounting regarding Revenue Department receivable. As at December 31, 2017 and April 1, 2017, the Company over recorded the Revenue Department receivable and under recorded other expenses-input tax. Therefore, the Company has restated comparative information to correct the prior period errors.

The effects of adjustments regarding such error to the financial statements are as follows:

	Balances before restatement	Adjustments for correction of error	(Unit : Baht) Balances after restatement
Statement of financial position as at December 31, 2017			
Assets			
Other assets	36,575,040	(5,971,631)	30,603,409
Owners' equity			
Accumulated deficits as at December 31, 2017	(132,966,462)	(5,971,631)	(138,938,093)
Statement of financial position as at April 1, 2017			
Assets			
Other assets	10,503,489	(845,933)	9,657,556
Owners' equity			
Accumulated deficits as at April 1, 2017	(26,874,515)	(845,933)	(27,720,448)
Statement of comprehensive income for the period from April 1, 2017 to December 31, 2017			
Other expenses	61,448,798	5,125,698	66,574,496
Loss for the period	(105,928,605)	(5,125,698)	(111,054,303)
Statement of cash flows for the period from April 1, 2017 to December 31, 2017			
Loss before income tax	(105,928,605)	(5,125,698)	(111,054,303)
Other assets	(27,332,255)	5,125,698	(22,206,557)

5. CASH AND CASH EQUIVALENTS

5.1 Cash and cash equivalents as at December 31, 2018 and 2017, consist of:

	2018	(Unit : Baht) 2017
Cash on hand	30,000	30,000
Deposit at bank - savings accounts	172,249,765	64,787,868
Deposit at bank - current accounts	347,893	13,411,300
Fixed deposits with maturity within 3 months	-	1,130,080
Promissory note - at call	60,000,000	123,000,000
Promissory note with maturity within 3 months	-	225,000,000
Less Deposits in customers' accounts	(83,927,314)	(318,590)
Total cash and cash equivalents	<u>148,700,344</u>	<u>427,040,658</u>

5.2 Non-cash items for the year ended December 31, 2018 and for the period from April 1, 2017 to December 31, 2017 are as follow:

5.2.1 Payables from purchases of leasehold improvement and equipment (recognized as a part of other liabilities) are as follows:

	For the year ended December 31, 2018	(Unit : Baht) For the period from April 1, 2017 to December 31, 2017
Payables from purchases of leasehold improvement and equipment brought forward	587,508	606,904
<u>Add</u> Purchases during the periods	2,400,795	11,647,455
<u>Less</u> Cash payments during the periods	<u>(2,988,303)</u>	<u>(11,666,851)</u>
Payables from purchases of leasehold improvement and equipment carried forward	<u>-</u>	<u>587,508</u>

5.2.2 Payables from purchases of intangible assets (recognized as a part of other liabilities) are as follows:

	For the year ended December 31, 2018	(Unit : Baht) For the period from April 1, 2017 to December 31, 2017
Payables from purchases of intangible assets brought forward	6,113,980	3,056,990
<u>Add</u> Purchases during the periods	150,651,228	104,070,787
<u>Less</u> Cash payments during the periods	<u>(142,872,595)</u>	<u>(101,013,797)</u>
Payables from purchases of intangible assets carried forward	<u>13,892,613</u>	<u>6,113,980</u>

- 5.2.3 Liabilities under finance lease agreements (recognized as a part of other liabilities) are as follows:

	(Unit : Baht)	
	For the year ended December 31, 2018	For the period from April 1, 2017 to December 31, 2017
Liabilities under finance lease agreements brought forward	6,654,625	-
<u>Add</u> Purchases during the periods	-	8,104,559
<u>Less</u> Cash payments during the periods	(2,646,840)	(2,096,023)
<u>Add</u> Amortization of deferred interest	344,545	646,089
Liabilities under finance lease agreements carried forward	<u>4,352,330</u>	<u>6,654,625</u>

6. SECURITIES AND DERIVATIVES BUSINESS RECEIVABLES

- 6.1 Securities and derivatives business receivables as at December 31, 2018 and 2017, are as follows:

	2018	(Unit : Baht) 2017
<u>Securities business receivables</u>		
Cash accounts	12,824,999	324,030
Credit balance accounts	1,589,493,930	12,056,521
<u>Add</u> Accrued interest income	7,186,086	53,885
Total securities business receivables	<u>1,609,505,015</u>	<u>12,434,436</u>

- 6.2 As at December 31, 2018 and 2017, the Company has classified its securities business receivables and related interest receivables in accordance with the Notification of the SEC No. KorThor. 33/2543 dated August 25, 2000 which is updated by Notification No. KorThor. 5/2544 dated February 15, 2001, regarding the accounting for sub-standard loans of securities companies are as follows:

	2018			2017		
	Securities business receivables and interest receivables	Allowance for doubtful accounts	Net receivables after allowance for doubtful accounts	Securities business receivables and interest receivables	Allowance for doubtful accounts	Net receivables after allowance for doubtful accounts
Normal debts	1,609,505,015	-	1,609,505,015	12,434,436	-	12,434,436
Sub-standard debts	-	-	-	-	-	-
Doubtful debts	-	-	-	-	-	-
Total	<u>1,609,505,015</u>	<u>-</u>	<u>1,609,505,015</u>	<u>12,434,436</u>	<u>-</u>	<u>12,434,436</u>

7. INVESTMENTS

7.1 Cost and fair value as at December 31, 2018 and 2017 consist of:

	2018		2017	
	Cost/ Amortized cost	Fair value	Cost/ Amortized cost	Fair value
Held-to-maturity investments				
Fixed deposits	50,724,965	50,724,965	254,321,347	254,321,347
Deposit under commitment	40,100,000	40,100,000	40,100,000	40,100,000
Total held-to-maturity investments	<u>90,824,965</u>	<u>90,824,965</u>	<u>294,421,347</u>	<u>294,421,347</u>
General investments				
General investments	256,800	-	-	-
Total general investments	<u>256,800</u>	-	-	-
Total investments	<u>91,081,765</u>	-	<u>294,421,347</u>	-

7.2 Investments in deposits at financial institutions classified by remaining periods of contracts are as follows:

	2018			(Unit : Baht)
	Within 1 year	1 - 5 years	Over 5 years	Total
Investments in deposits at financial institutions				
Fixed deposits	50,724,965	-	-	50,724,965
Deposits under commitment	<u>40,100,000</u>	<u>-</u>	<u>-</u>	<u>40,100,000</u>
Total investments in deposits at financial institutions	<u>90,824,965</u>	<u>-</u>	<u>-</u>	<u>90,824,965</u>

	2017			(Unit : Baht)
	Within 1 year	1 - 5 years	Over 5 years	Total
Investments in deposits at financial institutions				
Fixed deposits	254,321,347	-	-	254,321,347
Deposits under commitment	<u>40,100,000</u>	<u>-</u>	<u>-</u>	<u>40,100,000</u>
Total investments in deposits at financial institutions	<u>294,421,347</u>	<u>-</u>	<u>-</u>	<u>294,421,347</u>

As at December 31, 2018 and 2017, fixed deposits carry interest at the rate of 0.50% to 1.70% per annum and 0.50% to 2.50% per annum, respectively.

As at December 31, 2018 and 2017, deposits totalling Baht 40.10 million, are pledged as a collateral to secure credit facility with local commercial banks.

8. LOANS TO EMPLOYEES

Loans to employees as at December 31, 2018 and 2017, consist of:

	2018	(Unit : Baht) 2017
Within 1 year	99,289	115,253
Over 1 year	223,873	48,482
Total loans to employees	<u>323,162</u>	<u>163,735</u>

9. LEASEHOLD IMPROVEMENT AND EQUIPMENT

	Balance as at January 1, 2018	For the year ended December 31, 2018 Increase	Decrease	Transfer in / (out)	(Unit : Baht) Balance as at December 31, 2018
Cost					
Leasehold improvement	12,321,949	-	-	-	12,321,949
Office equipment	2,592,360	260,116	-	-	2,852,476
Furniture	3,753,550	176,851	-	-	3,930,401
Computer	7,010,930	1,963,828	-	-	8,974,758
Vehicle	2,392,148	-	-	-	2,392,148
Total cost	<u>28,070,937</u>	<u>2,400,795</u>	<u>-</u>	<u>-</u>	<u>30,471,732</u>
Accumulated depreciation					
Leasehold improvement	(1,130,171)	(2,529,278)	-	-	(3,659,449)
Office equipment	(331,663)	(579,757)	-	-	(911,420)
Furniture	(473,897)	(773,936)	-	-	(1,247,833)
Computer	(1,479,386)	(2,731,574)	-	-	(4,210,960)
Vehicle	(318,950)	(478,429)	-	-	(797,379)
Total accumulated depreciation	<u>(3,734,067)</u>	<u>(7,092,974)</u>	<u>-</u>	<u>-</u>	<u>(10,827,041)</u>
Leasehold improvement and equipment	<u>24,336,870</u>				<u>19,644,691</u>

	Balance as at April 1, 2017	For the period from April 1, 2017 to December 31, 2017 Increase	Decrease	Transfer in / (out)	(Unit : Baht) Balance as at December 31, 2017
Cost					
Leasehold improvement	487,662	3,783,384	-	8,050,903	12,321,949
Office equipment	419,106	1,758,949	-	414,305	2,592,360
Furniture	-	2,818,624	-	934,926	3,753,550
Computer	393,262	6,617,668	-	-	7,010,930
Vehicle	-	2,392,148	-	-	2,392,148
Total cost	<u>1,300,030</u>	<u>17,370,773</u>	<u>-</u>	<u>9,400,134</u>	<u>28,070,937</u>
Accumulated depreciation					
Leasehold improvement	(3,496)	(1,126,675)	-	-	(1,130,171)
Office equipment	(7,921)	(323,742)	-	-	(331,663)
Furniture	-	(473,897)	-	-	(473,897)
Computer	(38,410)	(1,440,976)	-	-	(1,479,386)
Vehicle	-	(318,950)	-	-	(318,950)
Total accumulated depreciation	<u>(49,827)</u>	<u>(3,684,240)</u>	<u>-</u>	<u>-</u>	<u>(3,734,067)</u>
Construction in progress	<u>5,875,084</u>	<u>3,525,050</u>	<u>-</u>	<u>(9,400,134)</u>	<u>-</u>
Leasehold improvement and equipment	<u>7,125,287</u>				<u>24,336,870</u>

Depreciation

For the year ended December 31, 2018

Baht 7,092,974

For the period from April 1, 2017 to December 31, 2017

Baht 3,684,240

As at December 31, 2018 and 2017, there are no fully depreciated leasehold improvement and equipment that are still in use.

As at December 31, 2018 and 2017, the Company has initial estimated cost of dismantling and removing the asset and restoring the site of office of Baht 1,143,809.

As at December 31, 2018 and 2017, the Company has fixed assets under financial lease agreements as follows;

	2018	(Unit : Baht) 2017
Cost of fixed assets under financial lease agreements	8,104,559	8,104,559
Less Accumulated depreciation	(3,963,412)	(1,580,902)
Book value - net	<u>4,141,147</u>	<u>6,523,657</u>

10. INTANGIBLE ASSETS

		For the year ended December 31, 2018				(Unit : Baht)
	Useful lives	Balance as at January 1, 2018	Increase	Decrease	Transfer in / (out)	Balance as at December 31, 2018
Cost						
Initial membership fee	Undefined	20,000,000	-	-	-	20,000,000
SET membership fee	Undefined	50,000,000	-	-	-	50,000,000
Computer software	3 - 5 years	45,498,787	25,451,228	-	-	70,950,015
Total cost		<u>115,498,787</u>	<u>25,451,228</u>	<u>-</u>	<u>-</u>	<u>140,950,015</u>
Accumulated amortization						
Computer software	3 - 5 years	(1,528,041)	(13,077,972)	-	-	(14,606,013)
Total accumulated amortization		<u>(1,528,041)</u>	<u>(13,077,972)</u>	<u>-</u>	<u>-</u>	<u>(14,606,013)</u>
Computer software under installation	-	-	125,200,000	-	-	125,200,000
Intangible assets		<u>113,970,746</u>				<u>251,544,002</u>

		For the period from April 1, 2017 to December 31, 2017				(Unit : Baht)
	Useful lives	Balance as at April 1, 2017	Increase	Decrease	Transfer in / (out)	Balance as at December 31, 2017
Cost						
Initial membership fee	Undefined	-	20,000,000	-	-	20,000,000
SET membership fee	Undefined	-	50,000,000	-	-	50,000,000
Computer software	3 - 5 years	-	11,268,978	-	34,229,809	45,498,787
Total cost		<u>-</u>	<u>81,268,978</u>	<u>-</u>	<u>34,229,809</u>	<u>115,498,787</u>
Accumulated amortization						
Computer software	3 - 5 years	-	(1,528,041)	-	-	(1,528,041)
Total accumulated amortization		<u>-</u>	<u>(1,528,041)</u>	<u>-</u>	<u>-</u>	<u>(1,528,041)</u>
Computer software under installation	-	11,428,000	22,801,809	-	(34,229,809)	-
Intangible assets		<u>11,428,000</u>				<u>113,970,746</u>

Amortization

For the year ended December 31, 2018	Baht	<u>13,077,972</u>
For the period from April 1, 2017 to December 31, 2017	Baht	<u>1,528,041</u>

Initial and SET membership fee have an undefined useful life when there is no foreseeable limit to the period over which the assets are expected to generate net cash inflows for the entity. Therefore, the Company has not amortized such intangible assets but those assets are tested for impairment annually or whenever there is an indication that the intangible assets may be impaired and allowance for impairment is recognized (if any).

As at December 31, 2018 and 2017, there are no fully depreciated computer software that is still in use.

11. OTHER ASSETS

Other assets as at December 31, 2018 and 2017, consist of:

	2018	(Unit : Baht) 2017
Other receivable - related companies (see Note 21)	796,135	109,400
Accrued interest receivable	652,184	641,226
Prepaid expense	2,385,200	7,643,255
Revenue Department receivable	20,670,194	7,657,318
Clearing fund	12,776,483	12,023,678
Deposits	3,035,379	1,983,197
Others	123,471	545,335
Total other assets	<u>40,439,046</u>	<u>30,603,409</u>

12. BORROWINGS FROM FINANCIAL INSTITUTIONS

Borrowings from financial institutions as at December 31, 2018, consist of: (December 31, 2017 : Nil)

		2018			(Unit : Baht) Total
	Interest rate Percentage (p.a.)	Remaining periods to maturity Within 1 year	1 - 5 years	Over 5 years	
Borrowings from financial institutions					
Borrowing in foreign currency	2.48	296,963,000	-	-	296,963,000
Promissory notes	2.60 - 3.00	780,000,000	-	-	780,000,000
Bill of exchanges	2.95	300,000,000	-	-	300,000,000
Total borrowings from financial institutions		<u>1,376,963,000</u>	<u>-</u>	<u>-</u>	<u>1,376,963,000</u>

On November 30, 2017, the Company had entered into a revolving loan agreement with the financial institution which is the parent company with a borrowings facility amounting to JPY 3,000 million. Such borrowings facility has interest rate based on short-term prime rate published by the Bank of Japan as of the borrowing date plus 1.00% per annum. As at December 31, 2018, the Company withdrawn the borrowings amounting to JPY 1,000 million, equivalents to THB 296.96 million (see Note 21).

On November 12, 2018, the Company had entered into a promissory notes facility agreement with TSFC Securities Public Company Limited which has a credit line amounting to Baht 200.00 million. As at December 31, 2018, the Company drawdown these fully amounts.

As at December 31, 2018, the Company has credit facilities from commercial banks in Thailand which have facility of promissory notes amounting to Baht 630.00 million and facility of bills of exchange amounting to Baht 500.00 million. The parent company issued letter of credit for such credit facilities. As at December 31, 2018, the Company withdrawn promissory notes and bills of exchange amounting to Baht 580 million and Baht 300 million, respectively.

13. PAYABLES TO CLEARING HOUSE AND BROKER - DEALERS

Payables to Clearing House and broker - dealers as at December 31, 2018 and 2017, consist of:

	2018	(Unit : Baht) 2017
Payables to Clearing House	30,140,955	9,011,486
Total payables to Clearing House and broker - dealers	<u>30,140,955</u>	<u>9,011,486</u>

14. SECURITIES AND DERIVATIVES BUSINESS PAYABLES

Securities and derivatives business payables as at December 31, 2018 and 2017, consist of:

	2018	(Unit : Baht) 2017
<u>Securities business payables</u>		
Cash accounts	13,769,828	182,008
Total securities business payables	<u>13,769,828</u>	<u>182,008</u>

15. PROVISIONS

Provisions as at December 31, 2018 and 2017, consist of:

	2018	(Unit : Baht) 2017
Provision for restoring costs of leasehold office improvement	1,186,491	1,163,016
Employee benefit obligations	6,027,302	2,702,128
Total provisions	<u>7,213,793</u>	<u>3,865,144</u>

15.1 Provision for restoring costs of leasehold office improvement

Provision for restoring costs of leasehold office improvement for the year ended December 31, 2018 and for the period from April 1, 2017 to December 31, 2017, are as follows:

	(Unit : Baht)
	For the year ended December 31, 2018
	For the period from April 1, 2017 to December 31, 2017
Beginning balance	1,163,016
Increase during the period	23,475
Ending balance	1,186,491

15.2 Employee benefit obligations

Movement in the present value of the employment benefit obligations as at December 31, 2018 and 2017, are as follows:

	2018	(Unit : Baht) 2017
Beginning balance of the periods	2,702,128	561,351
Current service cost	3,253,389	1,963,194
Interest cost	71,785	14,241
Components of employee benefit costs recognized in the statements of comprehensive income	3,325,174	1,977,435
Remeasurements:		
Loss from change in demographic assumptions	-	37,402
Loss from change in financial assumptions	-	129,464
Experiences gain	-	(3,524)
Components of employee benefit costs recognized in other comprehensive income	-	163,342
Ending balance of the periods	6,027,302	2,702,128

On December 13, 2018, the National Legislative Assembly passed a resolution approving the draft of a new Labor Protection Act, which is in the process of being announced in the Royal Gazette. The new Labor Protection Act stipulates additional legal severance pay rates for employees who have worked for an uninterrupted period of twenty years or more. Such employees are entitled to receive compensation of not less than that of the last 400 days, based on the final wage rate. This change is considered an amendment to post-employment benefits plan. The Company will reflect the effect of such change by recognizing past service cost as an expense in the statement of comprehensive income of the period in which the law is effective.

The principal actuarial assumptions as at December 31, 2018 and 2017, are as follows:

	2018	2017
	Percentage (p.a.)	Percentage (p.a.)
Discount rate	3.0373	3.0373
Salary increase rate	10	10
Employee turnover	0 - 15 (depend on ages)	0 - 15 (depend on ages)
Mortality rate	TMO 2017 (mortality table 2017)	TMO 2017 (mortality table 2017)
Improvement mortality rate	3	3

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

(Unit : Baht)			
Impact on employee benefit obligations			
As at December 31, 2018			
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	1%	(752,409)	921,376
Salary increase rate	1%	910,739	(762,628)
Employee turnover rate	20%	(695,398)	885,720
Improving mortality rate	1%	27,121	(31,161)

(Unit : Baht)			
Impact on employee benefit obligations			
As at December 31, 2017			
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	1%	(342,068)	418,327
Salary increase rate	1%	385,434	(324,924)
Employee turnover rate	20%	(292,843)	370,857
Improving mortality rate	1%	11,345	(12,974)

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

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

16. OTHER LIABILITIES

Other liabilities as at December 31, 2018 and 2017, are as follows:

	2018	(Unit : Baht) 2017
Liabilities under finance lease agreements	4,352,330	6,654,625
Accrued expense - related companies (see Note 21)	1,113,926	430,000
Accrued expense - other companies	6,472,433	13,144,239
Payable on purchases of leasehold improvement and equipment	-	587,508
Payable on purchases of intangible assets	13,892,613	6,113,980
Other payables - a related company (see Note 21)	95,000	55,000
Other payables - other companies	1,474,293	1,280,106
Withholding tax payables	1,515,914	585,198
Total other liabilities	<u>28,916,509</u>	<u>28,850,656</u>

Liabilities under finance lease agreements as at December 31, 2018 and 2017, consist of:

	Minimum lease Payments		(Unit : Baht) Present value of minimum lease payments	
	2018	2017	2018	2017
Not later than 1 year	3,352,850	2,646,840	3,143,274	2,302,295
Later than 1 year but not later than 5 years	1,301,024	4,653,874	1,209,056	4,352,330
	<u>4,653,874</u>	<u>7,300,714</u>	<u>4,352,330</u>	<u>6,654,625</u>
<u>Less</u> Deferred interest expenses	<u>(301,544)</u>	<u>(646,089)</u>	<u>-</u>	<u>-</u>
Total liabilities under finance lease agreements	<u>4,352,330</u>	<u>6,654,625</u>	<u>4,352,330</u>	<u>6,654,625</u>

17. CAPITAL MANAGEMENT

The primary objectives of the Company's capital management are to maintain the Company's ability to continue as a going concern and to maintain net liquid capital rule in accordance with Notifications of the SEC.

18. DIRECTORS AND KEY MANAGERMENTS' REMUNERATION

18.1 The Company paid directors' remuneration for the year ended December 31, 2018 and for the period from April 1, 2017 to December 31, 2017, amounting to Baht 0.24 million and Baht 0.15 million, respectively. The remuneration does not include salaries, bonus and other benefits to its directors who hold executive position.

- 18.2 Compensation or remuneration payable to key managements of the Company, which is presented as part of “Employee benefits expenses” for the year ended December 31, 2018 and for the period from April 1, 2017 to December 31, 2017, are as follows:

	(Unit : Baht)	
	For the year ended December 31, 2018	For the period from April 1, 2017 to December 31, 2017
Short-term benefits	22,158,000	17,600,000
Post-employment benefits	2,033,924	2,000,289
Total	<u>24,191,924</u>	<u>19,600,289</u>

19. OTHER EXPENSES

Other expenses for the year ended December 31, 2018 and for the period from April 1, 2017 to December 31, 2017, consist of:

	(Unit : Baht)	
	For the year ended December 31, 2018	For the period from April 1, 2017 to December 31, 2017
Premises and equipment expenses	40,147,760	16,214,277
Consultancy and services expenses	10,818,389	28,228,601
Advertising	14,109,972	9,315,840
Information and communication expenses	6,543,639	2,250,787
Loss on exchange rate	9,997,749	-
Others	15,079,134	10,564,991
Total other expenses	<u>96,696,643</u>	<u>66,574,496</u>

20. INCOME TAX

For the year ended December 31, 2018 and for the period from April 1, 2017 to December 31, 2017, the Company reported tax losses therefore there were no income tax expenses. However, as at December 31, 2018 and 2017, the Company has no deferred tax assets because there is uncertainty about future taxable profit to be utilized. As at December 31, 2018 and 2017, the Company has unused tax losses amounting to Baht 134.71 million and Baht 26.89 million, respectively.

21. RELATED PARTY TRANSACTIONS

The relationships with related parties are as follows:

The Company's name	Type of business	Type of relationship
GMO Internet, Inc.	Service of internet infrastructure, online advertising and media and online stock trading in Japan	Ultimate parent company
GMO Financial Holdings, Inc.	Management of group companies and subsidiaries and other related operations	Parent company
GMO-Z com NetDesign Holdings Co., Ltd.	Holding company in limited partnership, company limited and public limited company	Related party
NetDesign Host Co., Ltd.	Wired and wireless Internet access	Related party
GMO-Z com (Thailand) Co., Ltd.	Service of web server, mail server, cloud hosting, computer security systems and real estate services	Related party
GMO-Z.com Pte. Ltd.	Service of domain, web hosting, cloud hosting, WordPress, SSL	Related party
Daiwa Capital Markets Singapore Limited	Investment consulting, Brokerage Services	Related party

Business transactions with related parties arose in the ordinary course of businesses and were concluded on commercial terms and bases agreed upon between the Company and those related parties.

Significant revenues and expenses derived from transactions with related parties for the year ended December 31, 2018 and for the period from April 1, 2017 to December 31, 2017, are as follows:

	For the year ended December 31, 2018	For the period from April 1, 2017 to December 31, 2017	(Unit : Baht) Pricing policy
Other Income			
Daiwa Capital Markets Singapore Limited	600,000	-	Contractually agreed price
Finance cost			
GMO Financial Holdings, Inc.	4,599,265	-	Contractually agreed price
Management fee			
GMO Financial Holdings, Inc.	1,057,249	381,906	Contractually agreed price
Other expenses			
GMO Internet, Inc.	-	3,153	Agreed-upon prices
GMO Financial Holdings, Inc.	235,426	-	Agreed-upon prices
NetDesign Host Co., Ltd.	6,228,458	2,250,787	Agreed-upon prices
GMO-Z com (Thailand) Co., Ltd.	-	19,800	Agreed-upon prices
GMO-Z.com Pte. Ltd.	1,767,985	-	Agreed-upon prices
	<u>8,231,869</u>	<u>2,273,740</u>	

Significant outstanding balance with its related parties as at December 31, 2018 and 2017, are as follows:

	2018	(Unit : Baht) 2017
Other receivable		
GMO Financial Holdings, Inc.	382,600	109,400
Daiwa Capital Markets Singapore Limited	413,535	-
	<u>796,135</u>	<u>109,400</u>
Borrowings from financial institution		
GMO Financial Holdings, Inc.	296,963,000	-
Accrued expenses		
GMO Financial Holdings, Inc.	448,380	-
NetDesign Host Co., Ltd.	585,000	430,000
	<u>1,033,380</u>	<u>430,000</u>
Accrued interest expenses		
GMO Financial Holdings, Inc.	80,546	-
Other payable		
GMO Financial Holdings, Inc.	95,000	55,000

Significant agreement with a related company

During the year 2018, the Company entered into the warranty consignment agreements with the parent company. The Company must enact agreements terms and paid fees according to the contract.

22. SIGNIFICANT AGREEMENTS

On September 20, 2018, the Company had entered into Securities Reverse Repurchase Agreement (“REPO”) with TSFC Securities Public Company Limited (“TSFC”). REPO agreement is for short-term borrowings with collateral, whereby the Company will sell Company’s securities as collateral to TSFC and agree to repurchase at the buyback price, interest rate and period as specified in REPO agreement. However, as at December 31, 2018, the Company did not have such contractual transactions.

23. COMMITMENTS

- 23.1 As at December 31, 2018 and 2017, the Company has the following outstanding operating lease and service commitments under the lease and service agreements for its office building which the Company is to pay rental and service fees in the future as follows:

	(Unit : Baht)	
	2018	2017
To be paid within 1 year	6,825,600	6,849,600
To be paid more than 1 year but not over 5 years	1,122,533	7,996,133
Total	<u>7,948,133</u>	<u>14,845,733</u>

The Company's operating lease and service agreements recorded as expenses in the statement of comprehensive income for the year ended December 31, 2018 and for the period from April 1, 2017 to December 31, 2017, are Baht 9.01 million and Baht 6.68 million, respectively.

- 23.2 As at December 31, 2018 and 2017, the Company has commitment under agreements for IT system Consulting and Development of Baht 0.80 million and Baht 5.71 million, respectively.

24. FINANCIAL INSTRUMENTS

As at December 31, 2018 and 2017, the Company did not have policy to speculate or trade in any derivatives financial instruments.

24.1 Credit risk

Credit risk is the risk that a counterparty will fail to fulfil an obligation under a financial instrument causing the Company to incur a financial loss. The financial assets of the Company are not subject to significant concentration of credit risk. The maximum credit risk exposure is the carrying amount of the financial assets, less provision for losses, as stated in the statement of financial position.

24.2 Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates and it will affect the operational results of the Company and its cash flows.

(Unit : Thousand Baht)

2018								
Outstanding balances of financial instruments								
Repricing or maturity dates								
	Floating interest rate	At call	Within 1 year	1 - 5 years	No interest	Total	Interest rate (%)	
							Floating rate	Fixed rate
Financial assets								
Cash and cash equivalents	88,322	60,000	-	-	378	148,700	0.10 - 1.10	1.50
Securities and derivatives business receivables	-	-	1,589,494	-	20,011	1,609,505	-	5.06 - 9.98
Investments	-	-	90,825	-	257	91,082	-	0.50 - 1.70
Loans to employees	-	-	99	224	-	323	-	5.06
Financial liabilities								
Borrowings from financial institutions	-	-	1,376,963	-	-	1,376,963	-	2.48 - 3.00
Payable to Clearing House and broker - dealers	-	-	-	-	30,141	30,141	-	-
Securities and derivatives business payables	-	-	-	-	13,770	13,770	-	-

(Unit : Thousand Baht)

2017								
Outstanding balances of financial instruments								
Repricing or maturity dates								
	Floating interest rate	At call	Within 1 year	1 - 5 years	No interest	Total	Interest rate (%)	
							Floating rate	Fixed rate
Financial assets								
Cash and cash equivalents	64,469	123,000	226,130	-	13,441	427,040	0.10 - 1.95	1.50
Securities and derivatives business receivables	-	-	12,057	-	377	12,434	-	8.00
Investments	-	-	294,421	-	-	294,421	-	0.50 - 2.50
Loans to employees	-	-	115	48	-	163	-	2.06
Financial liabilities								
Payables to Clearing House and broker - dealers	-	-	-	-	9,011	9,011	-	-
Securities and derivatives business payables	-	-	-	-	182	182	-	-

24.3 Liquidity risk

The periods of time from the statement of financial position date to the maturity dates of financial instruments as of December 31, 2018 and 2017, are as follows:

(Unit : Thousand Baht)					
2018					
	Outstanding balances of financial instruments				
	At call	Within 1 year	1 - 5 years	Over 5 years	No maturity
Financial assets					
Cash and cash equivalents	148,700	-	-	-	-
Securities and derivatives business receivables	-	12,825	-	-	1,596,680
Investments	-	90,825	-	-	257
Loans to employees	-	99	224	-	-
Financial liabilities					
Borrowings from financial institutions	-	1,376,963	-	-	-
Payable to Clearing House and broker - dealers	-	30,141	-	-	-
Securities and derivatives business payables	-	13,770	-	-	-
(Unit : Thousand Baht)					
2017					
	Outstanding balances of financial instruments				
	At call	Within 1 year	1 - 5 years	Over 5 years	No maturity
Financial assets					
Cash and cash equivalents	200,910	226,130	-	-	-
Securities and derivatives business receivables	-	324	-	-	12,110
Investments	-	294,421	-	-	-
Loans to employees	-	115	48	-	-
Financial liabilities					
Payables to Clearing House and broker - dealers	-	9,011	-	-	-
Securities and derivatives business payables	-	182	-	-	-

24.4 Foreign exchange risk

Foreign exchange risk is the risk that the value of financial instruments will fluctuate because of changes in foreign exchange rates.

As at December 31, 2018, the Company expects to incur material effect on financial liabilities of the Company in respect of borrowings from financial institutions in foreign currencies (see Note 12). The Company does not use any financial instrument to manage such risk (As at December 31, 2017 : Nil).

24.5 Fair value

Considerable judgment is necessarily required in estimation of the fair value of financial assets and financial liabilities. Accordingly, the estimated fair value presented herein is not necessarily indicative of the amount that could be realized in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value. The following methods and assumptions were used by the Company in estimating fair values of financial instruments.

Financial instruments not measured at fair value

Fair value of financial instruments which are not measured at fair value and their fair value hierarchy level classification are summarized as follows:

(Unit : Thousand Baht)			
	2018		Fair value hierarchy
	Book Value	Fair Value	
Financial assets			
Cash and cash equivalents	148,700	148,700	3
Securities and derivatives business receivables	1,609,505	1,609,505	3
Investments	91,082	91,082	3
Loans to employees	323	323	3
Financial liabilities			
Borrowings from financial institutions	1,376,963	1,376,963	3
Payable to Clearing House and broker - dealers	30,141	30,141	3
Securities and derivatives business payables	13,770	13,770	3

(Unit : Thousand Baht)			
	2017		Fair value hierarchy
	Book Value	Fair Value	
Financial assets			
Cash and cash equivalents	427,040	427,040	3
Securities and derivatives business receivables	12,434	12,434	3
Investments	294,421	294,421	3
Loans to employees	163	163	3
Financial liabilities			
Payables to Clearing House and broker - dealers	9,011	9,011	3
Securities and derivatives business payables	182	182	3

The approximate fair values of most financial assets and financial liabilities are based on the amounts recognized in the statement of financial position as they are short-term and non-interest sensitive. For deposits at financial institutions, a fair value is equal to the carrying amount as they are short-term maturity.

As at December 31, 2018 and 2017, the fair values of financial assets and liabilities are not significantly different from carrying amounts.

25. EVENT AFTER THE REPORTING PERIOD

- 25.1 On February 6, 2019, the Extraordinary Shareholders' Meeting No. 1/2019 passed a resolution to approve the increase in authorized share capital from 100,000,000 ordinary shares with a par value of Baht 10 per share to 130,000,000 ordinary shares with a par value of Baht 10 per share. The Company registered the increased share capital with the Ministry of Commerce on February 11, 2019 and received a subscription of 30,000,000 additional shares which were priced at Baht 10 per share, totaling of Baht 300,000,000.
- 25.2 On March 1, 2019, the Company already received the approval of a credit facility with TSFC Securities Public Company Limited by issuing promissory note amounting to Baht 200.00 million. The Company will pledge the right to claim credit balance account of securities business receivables as a loan collateral.

26. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were authorized for issue by Board of Directors of the Company on March 14, 2019.