

GMO-Z COM SECURITIES (THAILAND) LIMITED

Financial Statements

Six-month period ended June 30, 2019

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 June 30, 2019, and the related statements of comprehensive income, changes in owners’ equity and cash flows for the six-month period 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 June 30, 2019, and its financial performance and its cash flows for the six-month period 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.

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.

- 3 -

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
August 19, 2019

DELOITTE TOUCHE TOHMATSU JAIYOS AUDIT CO., LTD.

GMO-Z COM SECURITIES (THAILAND) LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2019

UNIT : BAHT

	Notes	As at June 30, 2019	As at December 31, 2018
ASSETS			
ASSETS			
Cash and cash equivalents	4.1	256,005,543	148,700,344
Receivables from Clearing House and broker - dealers	5	46,442,661	-
Securities and derivatives business receivables	6	3,601,711,877	1,609,505,015
Investments	7.1	110,553,560	91,081,765
Loans to employees	8	768,059	323,162
Leasehold improvement and equipment	9	16,046,542	19,644,691
Intangible assets	10	245,694,269	251,544,002
Deferred tax assets	11	3,897,267	-
Other assets	12	25,766,494	40,439,046
TOTAL ASSETS		4,306,886,272	2,161,238,025

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 JUNE 30, 2019

UNIT : BAHT

	Notes	As at June 30, 2019	As at December 31, 2018
LIABILITIES AND OWNERS' EQUITY			
LIABILITIES			
Borrowings from financial institutions	13	3,047,537,000	1,376,963,000
Payables to Clearing House and broker - dealers	14	4,165,964	30,140,955
Securities and derivatives business payables	15	41,735,927	13,769,828
Provisions	16	9,081,861	7,213,793
Other liabilities	17	13,265,238	28,916,509
TOTAL LIABILITIES		<u>3,115,785,990</u>	<u>1,457,004,085</u>
OWNERS' EQUITY			
SHARE CAPITAL			
Authorized share capital	18		
150,000,000 ordinary shares of Baht 10 each		<u>1,500,000,000</u>	
100,000,000 ordinary shares of Baht 10 each			<u>1,000,000,000</u>
Issued and paid-up share capital			
150,000,000 ordinary shares of Baht 10 each, fully paid		1,500,000,000	
100,000,000 ordinary shares of Baht 10 each, fully paid			1,000,000,000
ACCUMULATED DEFICITS			
Unappropriated (deficits)		<u>(308,899,718)</u>	<u>(295,766,060)</u>
TOTAL OWNERS' EQUITY		<u>1,191,100,282</u>	<u>704,233,940</u>
TOTAL LIABILITIES AND OWNERS' EQUITY		<u>4,306,886,272</u>	<u>2,161,238,025</u>

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 SIX-MONTH PERIOD ENDED JUNE 30, 2019

UNIT : BAHT

	Notes	2019	2018
REVENUES			
Brokerage fees		10,561,658	1,844,936
Fees and service income		237,000	-
Interest on margin loans		80,333,789	6,406,580
Gains and return on financial instruments		2,317,089	2,932,292
Gain on exchange rate - net		240,344	-
Other incomes		1,348,826	121,465
Total Revenues		<u>95,038,706</u>	<u>11,305,273</u>
EXPENSES			
Employee benefits expenses		37,753,377	40,442,484
Fees and service expenses		2,962,190	2,366,277
Finance costs		34,328,260	1,313,318
Other expenses	21	<u>37,025,804</u>	<u>49,307,291</u>
Total Expenses		<u>112,069,631</u>	<u>93,429,370</u>
LOSS BEFORE INCOME TAX		(17,030,925)	(82,124,097)
INCOME TAX (INCOME) EXPENSE	11	<u>(3,897,267)</u>	<u>-</u>
LOSS FOR THE PERIOD		<u>(13,133,658)</u>	<u>(82,124,097)</u>
OTHER COMPREHENSIVE EXPENSE		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE EXPENSE		<u>-</u>	<u>-</u>
FOR THE PERIOD		<u>(13,133,658)</u>	<u>(82,124,097)</u>
BASIC LOSS PER SHARE	22	BAHT	
		(0.10)	(0.82)
WEIGHTED AVERAGE NUMBER OF			
ORDINARY SHARES	22	SHARES	
		129,558,011	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 SIX-MONTH PERIOD ENDED JUNE 30, 2019

UNIT : BAHT

	Note	Issued and Paid-up Share Capital	Accumulated deficits Unappropriated (Deficits)	Total Owners' Equity
Beginning balance as at January 1, 2018		1,000,000,000	(132,966,462)	867,033,538
Total comprehensive expense for the period		-	(82,124,097)	(82,124,097)
Ending balance as at June 30, 2018		<u>1,000,000,000</u>	<u>(215,090,559)</u>	<u>784,909,441</u>
Beginning balance as at January 1, 2019		1,000,000,000	(295,766,060)	704,233,940
Received share capital	18	500,000,000	-	500,000,000
Total comprehensive expense for the period		-	(13,133,658)	(13,133,658)
Ending balance as at June 30, 2019		<u>1,500,000,000</u>	<u>(308,899,718)</u>	<u>1,191,100,282</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 SIX-MONTH PERIOD ENDED JUNE 30, 2019

	UNIT : BAHT	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	(17,030,925)	(82,124,097)
Adjustments		
Depreciation and amortization expense	10,253,412	9,255,572
Amortization of interest expense	180,076	300,714
(Gain) loss on foreign exchange rates	(240,344)	8,842,456
Finance costs	34,328,260	1,313,318
Interest on margin loans	(80,333,789)	(6,406,580)
Interest income	(2,317,089)	(2,932,292)
Employee benefits expenses	1,856,154	1,662,587
Loss from operating activities before changes in operating assets and liabilities	(53,304,245)	(70,088,322)
(Increase) decrease in operating assets		
Receivables from Clearing House and broker - dealers	(46,442,661)	(21,535,871)
Securities and derivatives business receivables	(1,981,948,054)	(599,478,810)
Investments	(19,471,795)	223,946,690
Other assets	(2,708,579)	(7,856,949)
Increase (decrease) in operating liabilities		
Payables to Clearing House and broker - dealers	(25,974,991)	(9,011,486)
Securities and derivatives business payables	27,966,099	17,678,547
Other liabilities	6,101,670	(3,330,631)
Cash paid in operating activities	(2,095,782,556)	(469,676,832)
Cash received from interest income	72,126,146	7,194,849
Cash received from refundable value-added tax	17,647,055	-
Cash paid for interest expenses	(31,620,807)	(1,115,741)
Cash paid for withholding tax	(7,697,209)	(5,162,841)
Net cash used in operating activities	(2,045,327,371)	(468,760,565)

GMO-Z COM SECURITIES (THAILAND) LIMITED
STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2019

UNIT : BAHT

	2019	2018
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash paid for purchases of general investments	-	(256,800)
Cash received (paid) from loans to employees	(444,897)	5,376
Cash paid for purchases of leasehold improvement and equipment	(5,530)	(706,871)
Cash paid for purchases of intangible assets	(14,692,613)	(53,147,230)
Net cash used in investing activities	<u>(15,143,040)</u>	<u>(54,105,525)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash received from borrowings from financial institutions	5,356,650,000	743,000,000
Cash paid for borrowings from financial institutions	(3,685,800,000)	(200,000,000)
Cash received from capital increase	500,000,000	-
Cash paid for liabilities under finance lease agreements	(3,074,390)	(2,368,380)
Net cash provided by financing activities	<u>2,167,775,610</u>	<u>540,631,620</u>
Net increase in cash and cash equivalents	107,305,199	17,765,530
Cash and cash equivalents at beginning of period	<u>148,700,344</u>	<u>427,040,658</u>
Cash and cash equivalents at ending of period	<u><u>256,005,543</u></u>	<u><u>444,806,188</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 SIX-MONTH PERIOD ENDED JUNE 30, 2019

1. BUSINESS OPERATIONS AND GENERAL 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 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 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 2018) “Presentation of Financial Statements”, which was effective for financial periods beginning on or after January 1, 2019 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 and guidelines on accounting issued by the Federation of Accounting Professions which become effective for fiscal years beginning on or after January 1, 2019. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards, with most of the changes 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

The Federation of Accounting Professions has issued the Notification regarding Thai Accounting Standards, 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, 2020 onwards, as follows:

Group of Financial Instruments Standards

Thai Accounting Standards (“TAS”)

TAS 32 Financial Instruments: Presentation

Thai Financial Reporting Standards (“TFRS”)

TFRS 7 Financial Instruments: Disclosures

TFRS 9 Financial Instruments

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

These group of Standards make stipulations relating to the classification of financial instruments and their measurement at fair value or amortized cost; taking into account the type of instrument, the characteristics of the contractual cash flows and the Company’s business model, the calculation of impairment using the expected credit loss method, and the concept of hedge accounting. These include stipulations regarding the presentation and disclosure of financial instruments. These Standards will supersede the Standards and Interpretations relating to the financial instruments upon its effective date.

Thai Financial Reporting Standards No. 16 “Leases” (“TFRS 16”)

This TFRS provides a comprehensive model for the identification if lease arrangements and their treatment in the financial statements of both lessees and lessors.

This TFRS will supersede the following lease Standards and Interpretations upon its effective date, which are Thai Accounting Standard No.17 “Leases”, Thai Accounting Standard Interpretation No.15 “Operating Lease - Incentives”, Thai Accounting Standard Interpretation No.27 “Evaluating the Substance of Transactions involving the Legal Form of a Lease” and Thai Financial Reporting Standard Interpretation No.4 “Determining whether on Arrangement contains a Lease”.

For lessee accounting, there are significant changes to lease accounting in this TFRS by removing the distinction between operating and finance leases under TAS 17 and requiring a lessee to recognize a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. However, the lessor accounting treatment continues to require a lessor to classify a lease either as an operating lease or a finance lease, using the same concept as TAS 17.

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 includes 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
-------------------	-------------

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).

3.11 Revenue and expenses recognition

In the current period, the Company has applied TFRS 15 Revenue from Contracts with Customers on its effective date. Apart from providing more extensive disclosures on the Company's revenue transactions, the application of TFRS 15 has not a significant impact on the financial position and financial performance of the Company. The Company's accounting policies for its revenue streams are disclosed as follows:

For the six-month period ended June 30, 2019

a) Brokerage fees income

Brokerage fees income on securities and derivatives trading are recognized at a point in time on execution date of the trades at a certain percentage of the transaction value of the trades executed.

b) Fees and services income

Revenue from underwriting service is recognized at a point in time when the relevant underwriting is completed.

c) 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.

d) Gains and return on financial instruments

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

e) Other incomes

Other incomes are recognized on an accrual basis.

f) Expenses

Expenses are recognized on an accrual basis.

For the year ended December 31, 2018

a) Brokerage fees income

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

b) 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.

c) 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.

d) Other incomes

Other incomes are recognized on an accrual basis.

e) 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 consists 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 recognized in the statements of comprehensive 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. CASH AND CASH EQUIVALENTS

4.1 Cash and cash equivalents as at June 30, 2019 and December 31, 2018, consist of:

	As at June 30, 2019	(Unit : Baht) As at December 31, 2018
Cash on hand	30,000	30,000
Deposit at bank - savings accounts	188,163,796	172,249,765
Deposit at bank - current accounts	344,783	347,893
Promissory note - at call	100,000,000	60,000,000
Bill of exchange with maturity within 3 months	99,923,468	-
<u>Less</u> Deposits in customers' accounts	<u>(132,456,504)</u>	<u>(83,927,314)</u>
Total cash and cash equivalents	<u>256,005,543</u>	<u>148,700,344</u>

4.2 Non-cash items for the six-month periods ended June 30, 2019 and 2018 are as follow:

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

	2019	(Unit : Baht) 2018
Payables from purchases of leasehold improvement and equipment brought forward	-	587,508
<u>Add</u> Purchases during the periods	<u>5,530</u>	<u>747,997</u>
<u>Less</u> Cash payments during the periods	<u>(5,530)</u>	<u>(706,871)</u>
Payables from purchases of leasehold improvement and equipment carried forward	<u>-</u>	<u>628,634</u>

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

	2019	(Unit : Baht) 2018
Payables from purchases of intangible assets brought forward	13,892,613	6,113,980
<u>Add</u> Purchases during the periods	<u>800,000</u>	<u>86,650,000</u>
<u>Less</u> Cash payments during the periods	<u>(14,692,613)</u>	<u>(53,147,230)</u>
Payables from purchases of intangible assets carried forward	<u>-</u>	<u>39,616,750</u>

4.2.3 Change in liabilities from financing activities for the six-month periods ended June 30, 2019 and 2018 and as follows:

	(Unit : Baht)		
	2019		
	Borrowings from financial institutions	Liabilities under finance lease agreements	Total
As at January 1, 2019	1,376,963,000	4,352,330	1,381,315,330
Cash flows items:			
Additions	5,356,650,000	-	5,356,650,000
Repayments	(3,685,800,000)	(3,074,390)	(3,688,874,390)
Total Cash flows items	<u>3,047,813,000</u>	<u>1,277,940</u>	<u>3,049,090,940</u>
Non-cash changes items:			
Gain on foreign exchange rates	(276,000)	-	(276,000)
Amortization as expense	-	168,162	168,162
Total non-cash changes items	<u>(276,000)</u>	<u>168,162</u>	<u>(107,838)</u>
As at June 30, 2019	<u>3,047,537,000</u>	<u>1,446,102</u>	<u>3,048,983,102</u>

	(Unit : Baht)		
	2018		
	Borrowings from financial institutions	Liabilities under finance lease agreements	Total
As at January 1, 2018	-	6,654,625	6,654,625
Cash flows items:			
Additions	743,000,000	-	743,000,000
Repayments	(200,000,000)	(2,368,380)	(202,368,380)
Total Cash flows items	<u>543,000,000</u>	<u>4,286,245</u>	<u>547,286,245</u>
Non-cash changes items:			
Loss on foreign exchange rates	8,829,000	-	8,829,000
Amortization as expense	-	289,035	289,035
Total non-cash changes items	<u>8,829,000</u>	<u>289,035</u>	<u>9,118,035</u>
As at June 30, 2018	<u>551,829,000</u>	<u>4,575,280</u>	<u>556,404,280</u>

5. RECEIVABLES FROM CLEARING HOUSE AND BROKER - DEALERS

Receivables from Clearing House and broker - dealers as at June 30, 2019 and December 31, 2018, consist of:

	(Unit : Baht)	
	As at June 30, 2019	As at December 31, 2018
Receivables from Clearing House	46,442,661	-
Total receivables from Clearing House and broker - dealers	<u>46,442,661</u>	<u>-</u>

6. SECURITIES AND DERIVATIVES BUSINESS RECEIVABLES

6.1 Securities and derivatives business receivables as at June 30, 2019 and December 31, 2018, are as follows:

	(Unit : Baht)
	As at June 30, 2019
	As at December 31, 2018
<u>Securities business receivables</u>	
Cash accounts	46,840,110
Credit balance accounts	3,537,426,873
<u>Add</u> Accrued interest income	17,444,894
Total securities business receivables	<u>3,601,711,877</u>
	<u>1,609,505,015</u>

6.2 As at June 30, 2019 and December 31, 2018, 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:

	(Unit : Baht)		
	As at June 30, 2019		
	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	3,601,711,877	-	3,601,711,877
Sub-standard debts	-	-	-
Doubtful debts	-	-	-
Total	<u>3,601,711,877</u>	<u>-</u>	<u>3,601,711,877</u>
	<u>1,609,505,015</u>	<u>-</u>	<u>1,609,505,015</u>

7. INVESTMENTS

7.1 Cost and fair value as at June 30, 2019 and December 31, 2018, consist of:

	(Unit : Baht)			
	As at June 30, 2019		As at December 31, 2018	
	Cost/ Amortized cost	Fair value	Cost/ Amortized cost	Fair value
Held-to-maturity investments				
Fixed deposits	70,196,760	70,196,760	50,724,965	50,724,965
Deposits under commitment	40,100,000	40,100,000	40,100,000	40,100,000
Total held-to-maturity investments	<u>110,296,760</u>	<u>110,296,760</u>	<u>90,824,965</u>	<u>90,824,965</u>
General investments				
General investments	256,800		256,800	
Total general investments	<u>256,800</u>		<u>256,800</u>	
Total investments	<u>110,553,560</u>		<u>91,081,765</u>	

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

		As at June 30, 2019		(Unit : Baht)
	Within 1 year	1 - 5 years	Over 5 years	Total
Investments in deposits at financial institutions				
Fixed deposits	70,196,760	-	-	70,196,760
Deposits under commitment	40,100,000	-	-	40,100,000
Total investments in deposits at financial institutions	<u>110,296,760</u>	<u>-</u>	<u>-</u>	<u>110,296,760</u>

		As at December 31, 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	40,100,000	-	-	40,100,000
Total investments in deposits at financial institutions	<u>90,824,965</u>	<u>-</u>	<u>-</u>	<u>90,824,965</u>

As at June 30, 2019 and December 31, 2018, fixed deposits carry interest at the rate of 0.50% to 1.75% per annum and 0.50% to 1.70% per annum, respectively.

As at June 30, 2019 and December 31, 2018, deposits totalling Baht 40.10 million, are pledged as a business collateral and mortgage securities with local commercial banks.

8. LOANS TO EMPLOYEES

Loans to employees as at June 30, 2019 and December 31, 2018, consist of:

	As at June 30, 2019	(Unit : Baht) As at December 31, 2018
Within 1 year	324,090	99,289
Over 1 year	443,969	223,873
Total loans to employees	<u>768,059</u>	<u>323,162</u>

9. LEASEHOLD IMPROVEMENT AND EQUIPMENT

Leasehold improvement and equipment as at June 30, 2019 and December 31, 2018, consist of:

					(Unit : Baht)
					For the six-month period ended June 30, 2019
	Balance as at January 1, 2019	Increase	Decrease	Transfer in / (out)	Balance as at June 30, 2019
Cost					
Leasehold improvement	12,321,949	-	-	-	12,321,949
Office equipment	2,852,476	5,530	-	-	2,858,006
Furniture	3,930,401	-	-	-	3,930,401
Computer	8,974,758	-	-	-	8,974,758
Vehicle	2,392,148	-	-	-	2,392,148
Total cost	30,471,732	5,530	-	-	30,477,262
Accumulated depreciation					
Leasehold improvement	(3,659,449)	(1,254,244)	-	-	(4,913,693)
Office equipment	(911,420)	(299,702)	-	-	(1,211,122)
Furniture	(1,247,833)	(389,679)	-	-	(1,637,512)
Computer	(4,210,960)	(1,422,806)	-	-	(5,633,766)
Vehicle	(797,379)	(237,248)	-	-	(1,034,627)
Total accumulated depreciation	(10,827,041)	(3,603,679)	-	-	(14,430,720)
Leasehold improvement and equipment	19,644,691				16,046,542

					(Unit : Baht)
					For the year ended December 31, 2018
	Balance as at January 1, 2018	Increase	Decrease	Transfer in / (out)	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	28,070,937	2,400,795	-	-	30,471,732
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	(3,734,067)	(7,092,974)	-	-	(10,827,041)
Leasehold improvement and equipment	24,336,870				19,644,691
Depreciation for the six-month periods June 30,					
2019				Baht	3,603,679
2018				Baht	3,352,539

As at June 30, 2019 and December 31, 2018, there are no fully depreciated leasehold improvement and equipment that are still in use.

As at June 30, 2019 and December 31, 2018, the Company has initial estimated cost of dismantling and removing the asset and restoring the site of office of Baht 1.14 million.

As at June 30, 2019 and December 31, 2018, the Company has fixed assets under financial lease agreements as follows;

	(Unit : Baht)
	As at June 30, 2019
	As at December 31, 2018
Cost of fixed assets under finance lease agreements	8,104,559
<u>Less</u> Accumulated depreciation	<u>(5,144,876)</u>
Book value - net	<u>2,959,683</u>
	<u>4,141,147</u>

10. INTANGIBLE ASSETS

Intangible assets as at June 30, 2019 and December 31, 2018, consist of:

		(Unit : Baht)			
		For the six-month period ended June 30, 2019			
	Useful lives	Balance as at January 1, 2019	Increase	Decrease	Balance as at June 30, 2019
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	70,950,015	-	-	70,950,015
Total cost		<u>140,950,015</u>	<u>-</u>	<u>-</u>	<u>140,950,015</u>
Accumulated amortization					
Computer software	3 - 5 years	(14,606,013)	(6,649,733)	-	(21,255,746)
Total accumulated amortization		<u>(14,606,013)</u>	<u>(6,649,733)</u>	<u>-</u>	<u>(21,255,746)</u>
Computer software under installation	-	125,200,000	800,000	-	126,000,000
Intangible assets		<u>251,544,002</u>			<u>245,694,269</u>

		(Unit : Baht)			
		For the year ended December 31, 2018			
	Useful lives	Balance as at January 1, 2018	Increase	Decrease	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>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>(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>

Amortization for the six-month periods ended June 30,

2019

Baht 6,649,733

2018

Baht 5,903,033

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 June 30, 2019 and December 31, 2018, there are no fully depreciated computer software that is still in use.

11. DEFERRED TAX ASSETS / INCOME TAX

11.1 Deferred tax assets as at June 30, 2019 and December 31, 2018, consist of:

	As at June 30, 2019	(Unit : Baht) As at December 31, 2018
Deferred tax assets	4,365,108	-
Deferred tax liabilities	467,841	-
Total deferred tax assets	<u>3,897,267</u>	<u>-</u>

The movements of deferred tax assets during the six-month period ended June 30, 2019 is as follows: (2018: Nil)

	Balance As at January 1, 2019	Transactions recognized in statement of comprehensive income	(Unit : Baht) Balance As at June 30, 2019
Deferred tax assets			
Provisions for restoring costs of leasehold office improvement	-	117,704	117,704
Employee benefit obligations	-	1,576,691	1,576,691
Unused tax losses	-	2,670,713	2,670,713
Total	<u>-</u>	<u>4,365,108</u>	<u>4,365,108</u>
Deferred tax liabilities			
Difference from finance lease agreements	-	467,841	467,841
Total	<u>-</u>	<u>467,841</u>	<u>467,841</u>

11.2 Income tax

Income tax for the six-month periods ended June 30, 2019 and 2018 are as follow:

	2019	(Unit : Baht) 2018
Current income tax:		
Current income tax for the period	-	-
Deferred tax:		
Deferred tax relating to origination and reversal of temporary differences	(3,897,267)	-
Income tax presented in the statement of comprehensive income	<u>(3,897,267)</u>	<u>-</u>

Reconciliation of effective tax rate as of follows:

	2019		2018	
	Tax rate (%)	Baht	Tax rate (%)	Baht
Loss before income tax		(17,030,925)		(82,124,097)
Income tax at the applicable tax rate	20	(3,406,185)	20	(16,424,819)
Tax effect of increase in losses carry forward unrecognized deferred tax assets		523,249		16,598,139
Tax effect of income and expenses that are exempt from taxation and expense not deductible for tax purpose		(1,014,331)		(173,320)
Income tax presented in the statement of comprehensive income		<u>(3,897,267)</u>		<u>-</u>

As at June 30, 2019, and December 31, 2018, the Company has unused tax losses carry forward against future taxable profit of Baht 295.53 million and Baht 279.56 million, respectively. For the six-month periods ended June 30, 2019 and 2018, the Company has tax losses which are not recognized as deferred tax assets amounting to Baht 2.62 million and Baht 82.99 million, respectively. The carryforward of unused tax losses will be expired in 2022 to 2023.

12. OTHER ASSETS

Other assets as at June 30, 2019 and December 31, 2018, consist of:

	(Unit : Baht)	
	As at June 30, 2019	As at December 31, 2018
Other receivables - related companies (see Note 23)	387,669	796,135
Accrued interest receivable	918,108	652,184
Prepaid expense	4,488,881	2,385,200
Revenue Department receivable	3,092,442	20,670,194
Clearing fund	13,489,526	12,776,483
Deposits	3,200,909	3,035,379
Others	188,959	123,471
Total other assets	<u>25,766,494</u>	<u>40,439,046</u>

13. BORROWINGS FROM FINANCIAL INSTITUTIONS

Borrowings from financial institutions as at June 30, 2019 and December 31, 2018, consist of:

					(Unit : Baht)
	Interest rate Percentage (p.a.)	As at June 30, 2019			Total
		Remaining periods to maturity			
		Within 1 year	1 - 5 years	Over 5 years	
Borrowings from financial institutions					
Borrowing in foreign currency	2.48	867,537,000	-	-	867,537,000
Promissory notes	2.60 - 3.25	1,080,000,000	-	-	1,080,000,000
Bill of exchange	2.95	1,100,000,000	-	-	1,100,000,000
Total borrowings from financial institutions		<u>3,047,537,000</u>	<u>-</u>	<u>-</u>	<u>3,047,537,000</u>
					(Unit : Baht)
	Interest rate Percentage (p.a.)	As at December 31, 2018			Total
		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. Subsequently, on May 7, 2019, the Company had entered into an additional revolving loan agreement with a borrowings facility amounting to JPY 1,000 million. Total facility amount is JPY 4,000 million. As at June 30, 2019, the Company withdrawn the borrowings amounting to JPY 3,000 million, equal to THB 867.54 million (see Note 23).

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. Subsequently, on March 1, 2019, the Company had entered into an additional facility agreement amounting to Baht 200.00 million. Total facility amount is Baht 400.00 million. The Company pledge the right to claim credit balance account of securities business receivables as a loan collateral. As at June 30, 2019, the Company withdrawn promissory notes amounting to Baht 200.00 million.

On April 1, 2019, the Company had entered into an unsecured credit line agreement with the financial institution which is the parent company. The credit facility has a subordinated loan facility amounting to JPY 500 million. As at June 30, 2019, the Company did not have such contractual transactions.

As at June 30, 2019, the Company has credit facilities from commercial banks in Thailand which have credit facility of promissory notes amounting to Baht 930.00 million and facility of bills of exchange amounting to Baht 1,500.00 million. The parent company issued letter of credit for such credit facilities. As at June 30, 2019, the Company withdrawn promissory notes and bills of exchange amounting to Baht 880.00 million and Baht 1,100.00 million, respectively.

14. PAYABLES TO CLEARING HOUSE AND BROKER - DEALERS

Payables to Clearing House and broker - dealers as at June 30, 2019 and December 31, 2018, consist of:

	As at June 30, 2019	(Unit : Baht) As at December 31, 2018
Payables to Clearing House	4,165,964	30,140,955
Total payables to Clearing House and broker - dealers	<u>4,165,964</u>	<u>30,140,955</u>

15. SECURITIES AND DERIVATIVES BUSINESS PAYABLES

Securities and derivatives business payables as at June 30, 2019 and December 31, 2018, consist of:

	As at June 30, 2019	(Unit : Baht) As at December 31, 2018
<u>Securities business payables</u>		
Cash accounts	41,735,927	13,769,828
Total securities business payables	<u>41,735,927</u>	<u>13,769,828</u>

16. PROVISIONS

Provisions as at June 30, 2019 and December 31, 2018, consist of:

	As at June 30, 2019	(Unit : Baht) As at December 31, 2018
Provision for restoring costs of leasehold office improvement	1,198,405	1,186,491
Employee benefit obligations	7,883,456	6,027,302
Total provisions	<u>9,081,861</u>	<u>7,213,793</u>

16.1 Provision for restoring costs of leasehold office improvement

Provision for restoring costs of leasehold office improvement for the six-month periods ended June 30, 2019 and 2018, are as follows:

	2019	(Unit : Baht) 2018
Beginning balance	1,186,491	1,163,016
Increase during the period	11,914	11,679
Ending balance	<u>1,198,405</u>	<u>1,174,695</u>

16.2 Employee benefit obligations

Movement in the present value of the employee benefit obligations as at June 30, 2019 and December 31, 2018, are as follows:

	As at June 30, 2019	(Unit : Baht) As at December 31, 2018
Beginning balance of the periods	6,027,302	2,702,128
Current service cost	1,774,595	3,253,389
Interest cost	<u>81,559</u>	<u>71,785</u>
Components of employee benefit costs recognized in the statements of comprehensive income	<u>1,856,154</u>	<u>3,325,174</u>
Ending balance of the periods	<u>7,883,456</u>	<u>6,027,302</u>

The principal actuarial assumptions as at June 30, 2019 and December 31, 2018, are as follows:

	As at June 30, 2019 Percentage (p.a.)	As at December 31, 2018 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 June 30, 2019		
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	1%	(584,098)	713,589
Salary increase rate	1%	756,232	(631,474)
Employee turnover rate	20%	(564,698)	716,961
Improving mortality rate	1%	22,619	(26,042)

	(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)

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.

17. OTHER LIABILITIES

Other liabilities as at June 30, 2019 and December 31, 2018, consist of:

	As at June 30, 2019	(Unit : Baht) As at December 31, 2018
Liabilities under finance lease agreements	1,446,102	4,352,330
Accrued expense - related companies (see Note 23)	1,330,368	1,113,926
Accrued expense - other companies	7,016,740	6,472,433
Payable on purchases of intangible assets	-	13,892,613
Other payables - a related companies (see Note 23)	142,732	95,000
Other payables - other companies	2,559,018	1,474,293
Withholding tax payables	770,278	1,515,914
Total other liabilities	<u>13,265,238</u>	<u>28,916,509</u>

Liabilities under finance lease agreements as at June 30, 2019 and December 31, 2018, consist of:

	Minimum lease Payments		(Unit : Baht) Present value of minimum lease payments	
	As at June 30, 2019	As at December 31, 2018	As at June 30, 2019	As at December 31, 2018
Not later than 1 year	556,920	3,352,850	481,471	3,143,274
Later than 1 year but not later than 5 years	<u>1,022,564</u>	<u>1,301,024</u>	<u>964,631</u>	<u>1,209,056</u>
	1,579,484	4,653,874	1,446,102	4,352,330
<u>Less</u> Deferred interest expenses	<u>(133,382)</u>	<u>(301,544)</u>	-	-
Total liabilities under finance lease agreements	<u>1,446,102</u>	<u>4,352,330</u>	<u>1,446,102</u>	<u>4,352,330</u>

18. SHARE CAPITAL

On February 6, 2019, the Extraordinary General Meeting of shareholder No. 1/2019 passed a resolution to increase the Company's authorized share capital from Baht 1,000,000,000 to Baht 1,300,000,000, the issue of 30,000,000 additional ordinary shares at par value of Baht 10.00 each, totaling Baht 300,000,000. The Company fully received share subscription on February 8, 2019 and registered the capital increase with the Department of Business Development, Ministry of Commerce on February 11, 2019.

On May 7, 2019, the Extraordinary General Meeting of shareholder No. 2/2019 passed a resolution to increase the Company's authorized share capital from Baht 1,300,000,000 to Baht 1,500,000,000, the issue of 20,000,000 additional ordinary shares at par value of Baht 10.00 each, totaling Baht 200,000,000. The Company fully received share subscription on May 9, 2019 and registered the capital increase with the Department of Business Development, Ministry of Commerce on May 10, 2019.

19. 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.

20. DIRECTORS AND KEY MANAGERMENTS' REMUNERATION

- 20.1 The Company paid directors' remuneration for the six-month periods ended June 30, 2019 and 2018, amounting to Baht 30,000 and Baht 120,000, respectively. The remuneration does not include salaries, bonus and other benefits to its directors who hold executive position.
- 20.2 Compensation or remuneration payable to key managements of the Company, which is presented as part of "Employee benefits expenses" for the six-month periods ended June 30, 2019 and 2018, are as follows:

	(Unit : Baht)	
	2019	2018
Short-term benefits	10,852,500	11,992,500
Post-employment benefits	1,171,019	1,061,202
Total	<u>12,023,519</u>	<u>13,053,702</u>

21. OTHER EXPENSES

Other expenses for the six-month periods ended June 30, 2019 and 2018, consist of:

	2019	(Unit : Baht) 2018
Premises and equipment expenses	19,360,838	19,521,278
Consultancy and services expenses	5,289,670	6,916,660
Advertising	2,122,765	7,067,712
Information and communication expenses	2,773,226	2,937,641
Loss on exchange rate	-	8,842,456
Others	7,479,305	4,021,544
Total other expenses	<u>37,025,804</u>	<u>49,307,291</u>

22. BASIC LOSS PER SHARE

22.1 Basic loss per share for the six-month periods ended June 30, 2019 and 2018, consist of:

	2019	2018
Loss attributable to shareholders (Baht)	(13,133,658)	(82,124,097)
Weight average number of ordinary shares outstanding (Share)	129,558,011	100,000,000
Basic loss per share (Baht)	(0.10)	(0.82)

The Company had no dilutive ordinary shares during the six-month periods ended June 30, 2019 and 2018.

22.2 Weighted average number of ordinary shares for the six-month periods ended June 30, 2019 and 2018, consist of:

	2019	(Unit : Share) 2018
Number of ordinary shares Outstanding at January 1,	100,000,000	100,000,000
Weight average number of shares subscription received during the period		
(Number of increased shares capital of 30,000,000 shares x 143/181 days)	23,701,657	-
(Number of increased shares capital of 20,000,000 shares x 53/181 days)	<u>5,856,354</u>	<u>-</u>
Weight average number of ordinary shares outstanding at June 30,	<u>129,558,011</u>	<u>100,000,000</u>

23. 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 six-month periods ended June 30, 2019 and 2018, are as follows:

	2019	2018	(Unit : Baht) Pricing policy
Other Income			
Daiwa Capital Markets Singapore Limited	600,000	-	Contractually agreed price
Finance cost			
GMO Financial Holdings, Inc.	10,718,452	715,237	Contractually agreed price
Management fee			
GMO Financial Holdings, Inc.	316,082	517,076	Contractually agreed price
Other expenses			
GMO Financial Holdings, Inc.	417,789	46,699	Agreed-upon prices
GMO Internet, Inc.	47,632	-	Agreed-upon prices
NetDesign Host Co., Ltd.	2,699,118	2,967,589	Agreed-upon prices
	<u>3,164,539</u>	<u>3,014,288</u>	

Significant outstanding balance with its related parties as at June 30, 2019, and December 31, 2018, are as follows:

	As at June 30, 2019	(Unit : Baht) As at December 31, 2018
Other receivables		
GMO Financial Holdings, Inc.	382,600	382,600
Daiwa Capital Markets Singapore Limited	5,069	413,535
	<u>387,669</u>	<u>796,135</u>
Borrowings from financial institution		
GMO Financial Holdings, Inc.	867,537,000	296,963,000
Accrued interest expenses		
GMO Financial Holdings, Inc.	176,478	80,546
Other payables		
GMO Financial Holdings, Inc.	95,100	95,000
GMO Internet, Inc.	47,632	-
	<u>142,732</u>	<u>95,000</u>
Accrued expenses		
GMO Financial Holdings, Inc.	766,190	448,380
NetDesign Host Co., Ltd.	387,700	585,000
	<u>1,153,890</u>	<u>1,033,380</u>

Significant agreement with a related company

As at June 30, 2019 and December 31, 2018, the Company and the parent company have the warranty consignment agreements. The guarantee obligation to be borne by the Company as guarantee of joint liability of the parent company. The Company must enact agreements conditions and paid fees according to the contract. The term of warranty consignment is same as the term of contract with the relevant bank.

24. 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 June 30, 2019 and December 31, 2018, the Company did not have such contractual transactions.

25. COMMITMENTS

25.1 As at June 30, 2019, and December 31, 2018, the Company has the following outstanding long-term operating leases 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:

	As at June 30, 2019	(Unit : Baht) As at December 31, 2018
To be paid within 1 year	4,535,333	6,825,600
To be paid more than 1 year but not over 5 years	-	1,122,533
Total	<u>4,535,333</u>	<u>7,948,133</u>

The Company’s long-term operating leases and service agreements recorded as expenses in the statements of comprehensive income for the six-month periods ended June 30, 2019 and 2018, are Baht 4.49 million.

25.2 As at December 31, 2018, the Company has commitment under agreements for IT system Consulting and Development of Baht 0.80 million (June 30, 2019 : Nil).

26. FINANCIAL INSTRUMENTS

As at June 30, 2019, and December 31, 2018, the Company did not have policy to speculate or trade in any derivatives financial instruments.

26.1 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.

26.2 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)

As at June 30, 2019								
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	55,707	100,000	99,924	-	375	256,006	0.10 - 1.10	1.50 - 2.00
Receivables from Clearing House and broker - dealers	-	-	-	-	46,443	46,443	-	-
Securities and derivatives business receivables	-	-	3,537,427	-	64,285	3,601,712	-	5.31 - 9.31
Investments	-	-	110,297	-	257	110,554	-	0.50 - 1.75
Loans to employees	-	-	324	444	-	768	-	5.06 - 5.31
Financial liabilities								
Borrowings from financial institutions	-	-	3,047,537	-	-	3,047,537	-	2.48 - 3.25
Payable to Clearing House and broker - dealers	-	-	-	-	4,166	4,166	-	-
Securities and derivatives business payables	-	-	-	-	41,736	41,736	-	-

(Unit : Thousand Baht)

As at December 31, 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	-	-

26.3 Liquidity risk

Liquidity risk is the risk that the Company will be unable to liquidate financial assets and/or procure sufficient funds to discharge obligations in a timely manner, resulting in a financial loss.

Additionally, under the Notification of the Office of the Securities and Exchange Commission No. Kor Thor. 18/2549 regarding “Maintenance of Net Liquid Capital”, securities company is required to maintain its net liquid capital at the end of working day not less than Baht 15 million and not less than 7% of general liabilities.

As at June 30, 2019 and December 31, 2018, the Company has net liquid capital higher than the requirement of the Office of the Securities and Exchange Commission and has owners’ equity higher than the requirement of Thailand Clearing House Co., Ltd.

The periods of time from the statement of financial position date to the maturity dates of financial instruments as of June 30, 2019, and December 31, 2018, are as follows:

(Unit : Thousand Baht)

As at June 30, 2019						
	Outstanding balances of financial instruments					Total
	At call	Within 1 year	1 - 5 years	Over 5 years	No maturity	
Financial assets						
Cash and cash equivalents	156,082	99,924	-	-	-	256,006
Receivables from Clearing House and broker - dealers	-	46,443	-	-	-	46,443
Securities and derivatives business receivables	-	46,840	-	-	3,554,872	3,601,712
Investments	-	110,297	-	-	257	110,554
Loans to employees	-	324	444	-	-	768
Financial liabilities						
Borrowings from financial institutions	-	3,047,537	-	-	-	3,047,537
Payable to Clearing House and broker - dealers	-	4,166	-	-	-	4,166
Securities and derivatives business payables	-	41,736	-	-	-	41,736

(Unit : Thousand Baht)

As at December 31, 2018						
	Outstanding balances of financial instruments					Total
	At call	Within 1 year	1 - 5 years	Over 5 years	No maturity	
Financial assets						
Cash and cash equivalents	148,700	-	-	-	-	148,700
Securities and derivatives business receivables	-	12,825	-	-	1,596,680	1,609,505
Investments	-	90,825	-	-	257	91,082
Loans to employees	-	99	224	-	-	323
Financial liabilities						
Borrowing from financial institutions	-	1,376,963	-	-	-	1,376,963
Payables to Clearing House and broker - dealers	-	30,141	-	-	-	30,141
Securities and derivatives business payables	-	13,770	-	-	-	13,770

26.4 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 June 30, 2019 and 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 13). The Company does not use any financial instrument to manage such risk.

26.5 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)			
	As at June 30, 2019		Fair value
	Book Value	Fair Value	hierarchy
Financial assets			
Cash and cash equivalents	256,006	256,006	3
Receivables from Clearing House and broker - dealers	46,443	46,443	3
Securities and derivatives business receivables	3,601,712	3,601,712	3
Investments	110,554	110,554	3
Loans to employees	768	768	3
Financial liabilities			
Borrowings from financial institutions	3,047,537	3,047,537	3
Payable to Clearing House and broker - dealers	4,166	4,166	3
Securities and derivatives business payables	41,736	41,736	3

(Unit : Thousand Baht)			
	As at December 31, 2018		Fair value
	Book Value	Fair Value	hierarchy
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

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 June 30, 2019, and December 31, 2018, the fair values of financial assets and liabilities are not significantly different from carrying amounts.

27. EVENT AFTER THE REPORTING PERIOD

On July 31, 2019, the Company already received the approval of a credit facility with Sumitomo Mitsui Trust Bank (Thai) PCL. By issuing promissory note amounting to Baht 500.00 million. The parent company issued letter of credit for such credit facilities.

28. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were authorized for issue by Board of Directors of the Company on August 19, 2019.



Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited ("DTTL"), its global network of member firms, and their related entities. DTTL (also referred to as "Deloitte Global") and each of its member firms and their affiliated entities are legally separate and independent entities. DTTL does not provide services to clients. Please see www.deloitte.com/about to learn more.

Deloitte is a leading global provider of audit and assurance, consulting, financial advisory, risk advisory, tax and related services. Our network of member firms in more than 150 countries and territories serves four out of five Fortune Global 500® companies. Learn how Deloitte's approximately 286,000 people make an impact that matters at www.deloitte.com.

Deloitte Asia Pacific Limited is a company limited by guarantee and a member firm of DTTL. Members of Deloitte Asia Pacific Limited and their related entities provide services in Australia, Brunei Darussalam, Cambodia, East Timor, Federated States of Micronesia, Guam, Indonesia, Japan, Laos, Malaysia, Mongolia, Myanmar, New Zealand, Palau, Papua New Guinea, Singapore, Thailand, The Marshall Islands, The Northern Mariana Islands, The People's Republic of China (incl. Hong Kong SAR and Macau SAR), The Philippines and Vietnam. In each of these, operations are conducted by separate and independent legal entities.

About Deloitte Thailand

In Thailand, services are provided by Deloitte Touche Tohmatsu Jaiyos Co., Ltd. and its subsidiaries and affiliates.

This communication contains general information only, and none of Deloitte Touche Tohmatsu Limited, its member firms, or their related entities (collectively, the "Deloitte Network") is, by means of this communication, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser. No entity in the Deloitte Network shall be responsible for any loss whatsoever sustained by any person who relies on this communication.