**ASIA HOTEL PUBLIC COMPANY LIMITED AND SUBSIDIARIES**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2017**

1. **GENERAL INFORMATION**
   1. The Company and its six subsidiaries,

* The Company and two of its subsidiaries, Asia Pattaya Hotel Co., Ltd. and Asia Airport Hotel Co., Ltd. are involved in the hotel business, with their principal activities consisting of room service and operating restaurants.
* A Subsidiary, Zeer Property Plc., is involved in rental shopping complex business.
* A Subsidiary, ZEER OVERSEA LLC., is involved in rental shopping complex business.
* A subsidiary, Zeer Asset Co., Ltd., is involved in real estate development business.
* A Subsidiary, Spa Hotel Co., Ltd., is involved in rental shopping complex business.
  1. The Company was incorporated on March 24, 1964, and has been listed on the Stock Exchange of Thailand since 1989. Its office is located at 296 Phayathai Road, Rajathevee, Bangkok.
  2. A.B.K. Enterprise Co., Ltd., the Company’s major shareholder, held about 46% of the Company’s share capital.

1. **BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS**

The accompanying financial statements are prepared in accordance with Thai Financial Reporting Standards (“TFRS”) including related interpretations and guidelines promulgated by the Federation of Accounting Professions (“FAP”) and applicable rules and regulations of the Securities and Exchange Commission.

The presentation of the financial statements has been made in compliance with the stipulations of the Notification of the Department of Business Development dated October 11, 2016, issued under the Accounting Act B.E. 2543.

The accompanying financial statements have been prepared in the Thai language and expressed in Thai Baht. Such financial statements have been prepared for domestic reporting purposes. For the convenience of the readers not conversant with the Thai language, an English version of the financial statements has been provided by translating from the Thai version of the financial statements.

The preparation of the financial statements in conformity with Thai Financial Reporting Standard requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying amounts of assets and liabilities that are not readily apparent from other sources. Subsequent actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, and in the period of the revision and future periods, if the revision affects both current and future periods.

**Basis of consolidation**

1. The consolidated financial statements include the financial statements of Asia Hotel Public Company Limited and the following subsidiary companies (together referred to as the “Group”).



On February 23, 2017, the subsidiary, Spa Hotel Co., Ltd. increased capital to Baht 140 million, divided into 14 million shares of Baht 10 per share. A subsidiary, Zeer Property Plc., holds the interest at 71.43% of the registered capital of this newly established company. On March 1, 2017, the subsidiary, Zeer Property Plc., holds the interest at 84% of the registered capital and already paid share capital at full amount.

On August 4, 2017, the subsidiary, ZEER OVERSEA LLC was redeemed its share capital to a subsidiary, Zeer Property Plc. of Baht 99.80 million (USD 3.16 million). As a result, the proportion in shareholding of the subsidiary was decreased from 99.90 % to 99.77 % and there is changing proportion of the investment of Baht 0.45 million which presented as net from the surplus on change of proportion interest in subsidiary in the shareholder’s equity in “statements of change in shareholders’ equity” and will recognize as profit upon disposal of investment.

1. Subsidiary is an entity controlled by the Company. Control exists when the Company has the power, directly or indirectly through other subsidiaries, to govern the financial and operating policies of an entity so as to obtain benefits from its activities.
2. Subsidiaries are fully consolidated as from the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases.
3. The financial statements of the subsidiaries are prepared using the same significant accounting policies as the Company.
4. Assets and liabilities denominated in foreign currencies in the financial statements of the subsidiary in US Dollar are translated into Thai Baht at exchange rates at the end of reporting period. Revenue and expenses are translated into Thai Baht at exchange rates using monthly average exchange rates. The difference from currency translation is presented in “Difference on exchange rate from currency translation" in the Statements of Changes in Shareholders' Equity.
5. Material balances and transactions between the Company and its subsidiaries have been eliminated from the consolidated financial statements.
6. Non-controlling interests represent the portion of profit or loss and net assets of the subsidiaries that are not held by the Company and are presented separately in the consolidated profit or loss and within equity in the consolidated statement of financial position.

The separate financial statements present investments in subsidiaries under the cost method.

**New financial reporting standards**

**(a) Financial reporting standards that became effective in the current year**

During the year, the Company and its subsidiaries have adopted the revised financial reporting standards and interpretations (revised 2016) and new accounting treatment guidance which are effective for fiscal years beginning on or after 1 January 2017. 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 and its subsidiaries’ financial statements.

**(b) Financial reporting standards that will become effective in the future**

During the current year, the Federation of Accounting Professions issued a number of the revised financial reporting standards and interpretations (revised 2017) which are effective for fiscal years beginning on or after 1 January 2018. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes and clarifications directed towards disclosures in the notes to financial statements.

The management of the Company and its subsidiaries believe that the revised financial reporting standards will not have any significant impact on the financial statements when they are initially applied.

1. **SIGNIFICANT ACCOUNTING POLICIES**

**Revenues and expenses recognition**

Incomes from room service and other related services are recognized when services have been rendered.

Incomes from food and beverage sales are recognized when food and beverage sales have been serviced.

Building rental income and area rental income are recognized over the lease period according to the rate specified in the agreement except for income from Long-Term contract which is recognized by the straight line method over the lease period.

Service income is recognized when service has been rendered.

Deferred income on leasehold rights is recognized as income by the straight line method over the leasehold period.

Dividend income is recognized in full amount when the dividend is declared.

Other incomes and expenses are recognized on an accrual basis.

**Cash and cash equivalents**

Cash and cash equivalents represent cash on hand and deposits with bank with maturities of less than three months without restriction of usage or obligation.

**Accounts receivable and other receivable**

Trade accounts receivable are carried at anticipated realizable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written-off during the year in which they are identified.

**Inventory**

The Company and subsidiaries stated inventory at the lower of cost or net realizable value. The Company determined cost by using weighted average method and the subsidiaries determined cost by using the first-in, first-out method. Cost comprised of product price and other direct expenses for acquiring the product.

The Company and subsidiaries provided allowance for impairment of inventories for quality-deteriorated, damaged, obsolete stock.

**Investments**

Long-term investments in the subsidiaries are stated at cost less provision for declining in value (if any).

Long-term investments in non-marketable equity securities, which were classified as general investments, are stated at cost less provision for devaluation (if any).

Loss on impairment of long-term investments will be recorded in the statements of comprehensive income if the book value is higher than the recoverable amount.

Cost of investment is calculated by weighted average method.

**Investment properties**

Investment properties of the Group comprise of property, plant and equipment (Apartment project) that are leased to other parties for rental income.

Investment properties are initially recognized at cost, including expenses directly associated with the asset acquisition, less accumulated depreciation and allowance for impairment (If any).

The Group has selected the cost model for accounting for its investment properties. This model is in accordance with that described in the accounting policy for property, plant and equipment.

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of each property. The estimated useful lives are as follows:

Building and building improvement 33 years

Furniture and fixtures 5 years

Tool and office equipment 5 years

**Property, plant and equipment**

Land is stated at the new revaluation.

Building and building improvement are stated at the new revaluation less accumulated depreciation and impairment losses (if any). Equipment is stated at cost less accumulated depreciation and impairment losses (if any).

The Company and subsidiary depreciate its building and equipment by the straight-line method over their estimated useful lives as follows:



Costs of dismantlement, removal and restoration are charged as cost of assets and calculated depreciation for the year-end.

Depreciation is calculated separately for each significant parts of cost of property, plant and equipment when each of component parts has material cost compared to total cost of those assets.

Residual value of property, plant and equipment has to be measured by the amount expected to obtain from disposal of assets as if the assets had aging and expected condition at the end of its useful lives. In addition, residual value and useful lives is required to review at least at the year-end.

The revaluation of land, building and building improvement will be recorded at fair value, valued by an independent expert and depreciate according to the remaining term. The Company and subsidiaries will provide an independent expert to revalue such assets every 5 years. However, in case there is any factor which materially effects to the asset value, the Company and subsidiaries will provide an independent expert to revalue such assets in the occurring year.

Differences arising from the revaluation are dealt with in the financial statements as follows:

- When an asset’s carrying amount is increased as a result of the revaluation of the Company’s and subsidiaries’ assets, the increase is credited directly to the other comprehensive income and the cumulative increase is recognised equity under the heading of “Revaluation surplus on assets”. However, a revaluation increase is recognised as income to the extent that it reverses a revaluation decrease in respect of the same asset previously recognised as an expense.

- When an asset’s carrying amount is decreased as a result of a revaluation of the Company’s and subsidiaries’ assets, the decrease is recognised in profit or loss. However, the revaluation decrease is charged to the other comprehensive income to the extent that it does not exceed an amount already held in “Revaluation surplus on assets” in respect of the same assets.

The Company and subsidiaries recognized repairs and maintenance as building improvement when their future economic benefits are in excess of one fiscal year.

**Amortization**

Rentals are amortized by the straight-line method over the leased term.

**Borrowing cost**

Borrowing costs are recognized as expense in the period when incurred except the borrowing cost that are directly attributable to the acquisition, construction or production of asset as part of the cost of the asset.   
The capitalization of borrowing costs are ceased when substantially all the activities necessary to prepare the asset for its intended use or sale are complete. The Company shall suspend capitalization of borrowing cost during extended periods in which it suspends active development of asset.

**Intangible assets**

Computer software is considered as intangible assets and stated at cost less accumulated amortization and impairment (if any). Intangible assets are amortized by the straight-line method over 3 - 10 years.

**Long-term lease - sFinancial lease contract**

Leases which transferring a significant portion of the risks and rewards of ownership to the lessee are classified as financial leases. The Company records financial leases as assets and liabilities in the statements of financial position at the lower of the fair value of the leased assets as at the inception of the lease or the present value of the minimum lease payments. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease. Initial direct costs incurred are included as part of the asset. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to periods during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The depreciation policy for leased assets is consistent with that for depreciable assets that are owned.

**Financial instruments**

Financial instrument shown in statements of financial position consist of cash and cash equivalents, accounts receivable, loans to, accounts payable, bank overdrafts, loans from financial institutions, loans from related parties and liabilities under financial lease contract. Accounting policies regarding to recognition and measurement have been disclosed for each related transaction.

**Transactions in foreign currencies**

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

Gain or loss on exchange is taken into income or expense as incurred.

The financial statements of the subsidiary which were prepared in foreign currency were converted into Thai Baht. The currency translation in the statements of comprehensive income was made by using weighted average rate during the period and the currency translation in the statements of financial position was made by using the exchange rates ruling on the date of statements of financial position. Difference from currency translation will be presented under other component of equity.

When the overseas company was taken over, the Company will record the difference from currency translation as income or expense from sale of such overseas company.

**Employee benefits**

*Short-term benefits*

The Group recognizes salaries, wages, bonus and social security contribution as expenses on an accrual basis.

*Post-employment benefits – defined benefit plan*

The employee benefits liabilities in relation to the severance payment under the labor law are recognized as a charge to results of operations over the employee’s service period. It is calculated by the estimation of the amount of future benefit to be earned by the employee in return for the service provided to the Group through the service period up to the retirement age and the amount is discounted to determine the present value. The reference discount rate is the yield rate of government bonds as at the reporting date. The calculation is based on the actuarial technique using the Projected Unit Credit Method.

When the actuarial assumptions are changed, the Group recognizes actuarial gains or losses in the other comprehensive income and loss in the period in which they arise.

**Income tax**

Income tax expense for the year comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that they relate to items recognised directly in shareholders’ equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the end of reporting period date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, using tax rates enacted or substantively enacted at the end of reporting period date.

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change their judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at the end of reporting period date and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

**Basic earnings per share**

Basic earnings per share are determined by dividing the net income for the year by the weighted average number of shares outstanding during the year.

**Segment information**

Segment information is presented in respect of the Company and subsidiaries businesses. The primary format and business segments is based on the Company’s and subsidiaries’ management and internal reporting structure.

1. **CRITICAL ACCOUNTING ESTIMATES, ASSUMPTION AND JUDGMENT**

The preparation of the financial statements in conformity with Thai Financial Reporting Standard requires management to make judgments and estimates. Judgments and estimations will affect the amounts in the financial statements and the information presented in the Notes to financial statements. Actual results may differ from these judgments and estimates. Significant judgments and estimates are as follows:

**Impairment of receivables**

The Company and subsidiaries which are involved in the hotel business provide a provision for doubtful accounts in the full amount for dissolved firm or during having sued cases and the overdue account over 1 year. In addition, the Company and the subsidiaries will consider based on analysis of payment histories and financial status of each customer.

A subsidiary, Zeer Property Plc. which is involved in shopping complex rental business provides a provision for doubtful accounts of accounts receivable - trade equal to the estimated uncollectible based on collection experience and review of the current status of the existing receivables. The overdue account over 180 days was provided a provision for doubtful accounts in full amount after deducting deposit.

**Allowance for obsolete, slow-moving and defective inventories**

The Company and subsidiaries maintain an allowance for obsolete, slow-moving and defective inventories to reflect impairment of inventories. The allowance is based on consideration of inventory turnover and deterioration of each category.

**Impairment of investment**

Management reviews the impairment of investments in subsidiary companies by considering the operating result and the future business plan of the subsidiary companies. Such consideration is based on Management’s judgment.

**Impairment of assets**

The Company and subsidiaries consider asset as impaired when there is an indication that an asset may be impaired. If any such indication exists when there has been a significant decline in the fair value, the Company and subsidiaries make an estimate of the asset recoverable amount. The determination of recoverable amount is requires judgment. An impairment loss is recognized as an expense in the statement of profit or loss.

**Building, equipment and computer software**

Management determines the estimated useful lives and residual values for the Company’s building, equipment and computer software. Management will revise the depreciation charge where useful lives and residual values previously estimated have changed or subject to be written down for their technical obsolescence or no longer in use.

**Leases**

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

**Provisions**

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.

1. **CASH AND CASH EQUIVALENTS**

Cash and cash equivalents as at December 31, 2017 and 2016 are as follows:



1. **TRADE AND OTHER RECEIVABLES - NET**

Trade and other receivables - net as at December 31, 2017 and 2016 are as follows:





1. **RELATED PARTIES TRANSACTIONS**

Related parties are those parties linked to the Group and the Company as shareholders or by common shareholders or directors. Transactions with related parties are conducted at prices based on market prices or, where no market price exists, at contractually agreed prices.

Relationships with related parties that control the Company or are being controlled by the Company or have transactions with the Group were as follows:



Balances with related parties as at December 31, 2017 and 2016 are summarized below: 

The Company has loans from 2 subsidiaries, Asia Pattaya Hotel Co., Ltd. and Asia Airport Hotel Co., Ltd., in form of promissory notes, which are due at call and without collateral.

Movements of the short-term loans and accrued interest expense - related parties consisted of:



**Sales and purchases of goods and services**

Transactions between the Company and related parties for the years ended December 31, 2017 and 2016 are summarized below:



1. **INVENTORIES - NET**

Inventories - net as at December 31, 2017 and 2016 are as follows:



1. **INVESTMENTS IN SUBSIDIARY COMPANIES**

Investments in subsidiary companies as at December 31, 2017 and 2016, and dividend income for years ended December 31, 2017 and 2016 are as follows:



At the Board of Directors’ meeting No. 4/2017 held on November 10, 2017 of the subsidiary, Zeer Property Plc., passed a resolution to pay an interim dividend from operating result for the six-month period (January – June 2017) at the rate Baht 0.08 per share for 225 million shares, totaling Baht 18 million, The dividend was paid on December 4, 2017.

At Ordinary Shareholders’ Meeting No. 1/2017 held on April 26, 2017 of the subsidiary, Zeer Property Plc., passed a resolution to pay dividend to shareholders from the operating results of 2016 at the rate of Baht 0.09 per share for 225 million shares, totaling Baht 20.25 million. The dividend was paid on May 22, 2017.

On November 15, 2016, the subsidiary, Zeer Property Plc., acquired ordinary shares of Spa Hotel Co., Ltd. of 7,997 shares (par value of Baht 10 per share) representing the 57.05% interest of such company’s registered and called up capital at Baht 10 per share totaling of Baht 79,970. (Note 2)

At Ordinary Shareholders’ Meeting No. 1/2016 held on April 26, 2016 of the subsidiary, Zeer Property Plc., passed a resolution to pay dividend to shareholders from the operating results of 2015 at the rate of Baht 0.35 per share for 225 million shares, totaling Baht 78.75 million. The subsidiary paid an interim dividend at the rate Baht 0.10 per share in 2015, totaling Baht 22.50 million. The remaining dividend was paid on May 16, 2016 at the rate Baht 0.25 per share, totaling Baht 56.25 million.

The following subsidiaries have material Non-controlling interests.

****

The following is summarized financial information of subsidiaries before inter-company elimination.



1. **INVESTMENTS IN OTHER COMPANY - NET**



1. **RESTRICTED DEPOSITS WITH BANKS**

Fixed deposit of a subsidiary, Zeer Property Plc. in amount of Baht 4 million was pledged to guarantee for overdraft as stated in Note 19.

1. **INVESTMENT PROPERTIES - NET**

Investment properties - net as at December 31, 2017 and 2016 are as follows:



The fair values of the investment properties (Apartment Project for rent) as at December 31, 2017 were appraised by independent appraiser according to the appraisal report date February 23, 2018 and the fair values of investment properties (Apartment Project for rent) as at December 31, 2016 have been determined based on valuations performed by the management of the subsidiary. The fair values have been determined based on income approach. The main assumptions used in the valuation are yield rate, inflation rate, long-term vacancy rate and long-term growth in rental rates.



1. **PROPERTY, PLANT AND EQUIPMENT - NET**

For the year ended December 31, 2017, the Company and subsidiaries have following movements in the property, plant and equipment – net: 

.

Building and equipment as at December 31, 2017 and 2016 in amount of Baht 1,250.53 million and Baht 1,188.95 million, respectively in consolidated financial statements and Baht 505.34 million and Baht 503.30 million, respectively in separate financial statements, have been fully depreciated but still in use.

The Company and subsidiaries uses land with its construction as collateral for loan from a bank as stated in Notes 19 and 21

Depreciation in the statements of profit or loss for the years ended December 31, 2017 and 2016 are as follow:

During the year, a subsidiary, Asia Airport Hotel Co., Ltd., has written off fixed assets at cost of Baht 9.16 million and realized loss from written off fixed assets in the consolidated statement of profit or loss the year ended December 31 2017, of Baht 4.80 million.

During the year 2016, a subsidiary, Zeer Property Plc., has written off fixed assets at cost of Baht 8.48 million and realized loss from written off fixed assets in the consolidated statement of profit or loss for the year ended December 31, 2017 of Baht 3.46 million.

1. **REAPPRAISAL**

The Company and subsidiaries recorded excess over cost of the appraised value in “revaluation surplus of assets” under “shareholders’ equity” in the statements of financial position.

The revaluation resulted in a surplus of the assets are as follows:



During the year, the Company and a subsidiary, Asia Pattaya Hotel Co., Ltd. have restated and reclassified its financial statements regarding the account of property, plant and equipment and revaluation surplus of assets on the financial statements for the year ended December 31, 2016.

The effects on consolidated and separate statement of financial position as at December 31, 2016 and consolidated and separate statements of profit or loss and other comprehensive income for the year ended December 31, 2016 are as follows:





The subsidiary, ZEER OVERSEA LLC engaged independent appraiser to reappraise land, building and building improvement and public utility system outstanding as of August 31, 2017, according to the appraisal report as follows:

* Land, according to the appraisal report dated August 21, 2017, having the appraised value, based on the market approach method, totaling Baht 205.23 million (USD 6.15 million). The subsidiary recognised the revaluation surplus of Baht 34.05 million in the statement of other comprehensive income.
* Building and building improvement and public utility system, according to the appraisal report dated August 21, 2017, having the appraised value, based on the depreciated replacement cost approach method, totaling Baht 43.38 million (USD 1.30 million). The subsidiary recorded the reversal of the revaluation surplus of Baht 15.51 million in the statement of other comprehensive income and recognised loss from fixed assets revaluation of Baht 16.68 million in the statement of profit or loss.

As at December 31, 2017, the subsidiary– Zeer Property Plc. engaged independent appraiser to reappraise building and building improvement and public utility system of Zeer Rangsit Complex and The Hub Rangsit Complex, Based on the appraisal report dated February 23, 2018, the subsidiary calculated the appraised value, according to the depreciated replacement cost approach method, totaling Baht 4,055 million, and recognized the revaluation surplus of Baht 140.67 million in the statement of other comprehensive income.

As at December 31, 2017, the subsidiary– Zeer Property Plc. engaged independent appraiser to reappraise land, building and building improvement and public utility system of Cha-am Project are as follows:

* Land, according to the appraisal report dated February 23, 2018, having the appraised value, based on the market approach method, totaling Baht 139.28 million. The subsidiary recognised the revaluation surplus of Baht 22.54 million in the statement of other comprehensive income.
* Building and building improvement and public utility system, according to the appraisal report dated February 23, 2018, having the appraised value, based on the depreciated replacement cost approach method, totaling Baht 264.74 million. The subsidiary recorded the reversal of the revaluation surplus of Baht 7.02 million in the statement of other comprehensive income and recognised loss from fixed assets revaluation of Baht 34.23 million in the statement of profit or loss.

As at December 31, 2016, the Company adjusted the revaluation of its property according to the report of the independent appraiser. As a result, the surplus increased by Baht 18.23 million (net from income tax).

1. **INTANGIBLE ASSETS - NET**

Intangible assets - net as at December 31, 2017 are as follows:





Amortization for the years ended December 31, 2017 and 2016 in the consolidated statement of profit or loss are Baht 1.34 million and Baht 0.76 million, respectively and in the separate statements of profit or loss are Baht 0.64 million and Baht 0.22 million, respectively.

1. **DEFERRED TAX**

Deferred tax as at December 31, 2017 and 2016 are as follows:





Income tax expense for the years ended December 31, 2017 and 2016 are as follows:



Reconcile between income tax expenses and the accounting profit multiplied by the applicable tax rates are as follows:



The Company and subsidiaries have tax losses carried forward. Due to the uncertainty of the utilization, the Management, therefore, considers not to recognize part of tax loss as deferred tax. Unrecognized tax loss are as follow:



According to Act No. 42 B.E. 2559 dated March 3, 2016, the corporate income tax rate has been continued at 20 % on net profit for the accounting periods beginning on January 1, 2016.

The subsidiary in oversea calculated income tax using the progressive tax rate, average rate in year 2017 and 2016 of 25.13 % and 23.84%, respectively. The tax rate has changed to flat rate at 29.84% on net profit for the accounting periods beginning on January 1, 2018.

1. **PREPAID RENTAL - NET**

Prepaid rental – net as at December 31, 2017 and 2016 are as follows:



Amortization for the years ended December 31, 2017 and 2016 in amount of Baht 23.55 million in consolidated financial statements and Baht 1.21 million in separate financial statements.

The Company entered into rental agreement with the Bureau of Crown Property; term of agreement is 20 years with rental prepayment in the amount of Baht 4.91 million.

The subsidiary – Zeer Property Plc. entered into rental agreement with Don Mueng Grand Plaza Co., Ltd.; term of agreement is 55 years.

1. **DEPOSIT FOR PURCHASE OF ASSETS**

At Board of Directors’ Meeting No. 4/2016 held on November 9, 2016, the subsidiary, Zeer Property Plc., has approved to invest in property, commercial building and hotel in Chiang Mai province according to the agreement of purchase and sale, dated October 13, 2016 at a price of Baht 140 million. When the project is completed, it is expected to comprise areas of approximately 4,000 square meters of shopping center and rental areas and of approximately 2,900 square meters of the hotel building. This is the joint investment in the newly established company (Spa Hotel Co., Ltd.) which is a recipient of ownership of the transferred land and buildings above. During the year 2016, the subsidiary paid a deposit for purchase of assets in amount of Bath 24 million.

On January 31, 2017, the subsidiary, Spa Hotel Co., Ltd. received a transfer of ownership of land and buildings located in Chang Moi Sub-district, Muang District, Chiang Mai province according to the agreement of purchase and sale of land and buildings, dated October 13, 2016 at a price of Baht 140 million and paid for the assets under the agreement of purchase and sale of land and buildings in net price after deducting the deposit for purchase of assets.

1. **BANK OVERDRAFT AND SHORT-TERM LOAN FROM FINANCIAL INSTITUTION**

Bank overdraft and short-term loan from financial institution as at December 31, 2017 and 2016 are as follows:



As at December 31, 2017, the Company and subsidiaries had the credit facilities for loans as follows:

1. The Company has overdrafts line of Baht 41 million and promissory notes line of Baht 40 million with interest rate at MLR% per annum, guaranteed by directors of the Company and by mortgaging of the land with construction of the Company and of Asia Pattaya Hotel Co., Ltd. and leasehold right on Zeer Rangsit Complex of Asia Airport Hotel Co., Ltd.
2. A subsidiary, Asia Pattaya Hotel Co., Ltd., has overdrafts line of Baht 25 million and promissory note line of Baht 20 million, guaranteed by directors of Asia Pattaya Hotel Co., Ltd. and by mortgaging of the land with construction of Asia Pattaya Hotel Co., Ltd. and of the Company and leasehold right on Zeer Rangsit Complex of Asia Airport Hotel Co., Ltd.
3. A subsidiary, Asia Airport Hotel Co., Ltd., has overdrafts line of Baht 10 million, guaranteed by the directors of the Company, Asia Hotel Public Company Limited, and leasehold right on Zeer Rangsit Complex.
4. A subsidiary, Zeer Property Plc., has overdrafts line of Baht 54 million and promissory notes line of Baht 100 million, with interest rate at MOR-1.00% per annum, guaranteed by the directors of the Company and of Don Muang Grand Plaza Co., Ltd., and by mortgaging of land with construction in Zeer Rangsit Complex and at Cha-am, leasehold right on area of Zeer Rungsit, and deposits at financial institution.
5. On March 3, 2017, the subsidiary, ZEER OVERSEA LLC., entered into the short-term loan agreement with an oversea financial institution in facility of USD 3.8 million. The repayment will be made within 1 year with the interest rate at LIBOR + 2.75% per annum. This is guaranteed by the Stand By Letter of Credit (SBLC) facility of USD 3.8 million from a domestic financial institution. The subsidiary received the short-term loan on August 1, 2017. The repayments must be completed on July 2, 2018.

Under the term of the loan agreement, the subsidiary has to maintain the DSCR Ratio not lower than 1.2:1 and minimum liquidity of not less than USD 100,000 as of each fiscal quarter end.

1. On February 15, 2017, the subsidiary, Zeer Property Plc., entered into a Credit Support Agreement with a local bank for providing a Stand By Letter of Credit (SBLC) in the amount not to exceed of USD 3.8 million to guarantee the revolving line of credit of ZEER OVERSEA LLC., a subsidiary of the Company, with a foreign financial institution.

The Stand By Letter of Credit (SBLC) facility is guaranteed by part of land with its construction at Cha-am Project and the director of Zeer Property Plc.

1. On December 19, 2017, the subsidiary, Spa Hotel Co., Ltd has entered into a revolving loan agreement in totaling Baht 15 million consisting of overdrafts line of Baht 10 million and guarantee of Baht 5 million, with the interest rate at MOR per annum, guaranteed by land with its construction of the subsidiary, Spa Hotel Company Limited and some directors of the subsidiary, Zeer Property Plc.
2. **OTHER PAYABLES**

Other payables as at December 31, 2017 and 2016 are as follows:



1. **LONG-TERM LOANS FROM FINANCIAL INSTITUTION – NET**

Long-term loans from financial institution - net as at December 31, 2017 and 2016 are as follows:



1. On November 3, 2016, the Company entered the long-term loan agreement with the financial institution amount of Baht 120 million for improving the Facade, Front Desk, Lobby, Coffee shop and Commercial shops of Asia Hotel Ratchathewi. The Company has the commitment to repay the new loan on a quarterly basis (46 installments starting the first installment repayments in 21st month from the date of the first drawdown.) and pay the interest monthly at the rate of MLR-1.50% per annum to MLR – 0.375% per annum and the repayments must be completed within 11.50 years since the first loan drawdown date.

On October 6, 2016, the Company entered the addendum agreement with the financial institution to change the repayment of the principal and interest of the loan agreement facilities of Baht 1,350 million. The Company has the commitment to repay the loan on a quarterly basis for 80 installments (from 60 installments) and pay interest monthly at the rate of MLR-1.50% to MLR-0.125% per annum. The repayment of final principal, then, is extended from January 2023 to January 2028.

On April 28, 2008, the Company entered into the long-term loan agreement facilities of Baht 1,350 million with a bank to repay the existing balance of loan from 4 financial institutions of Baht 1,070 million and to improve building of Baht 280 million. The Company has the commitment to repay the new loan on a quarterly basis for 60 installments and pay interest monthly at the rate of MLR-1.50% to MLR-0.125% per annum commencing in April 2008, and the repayment of loan will be completed within January 2023.

1. On April 30, 2008, a subsidiary, Asia Pattaya Hotel Co., Ltd., had engaged in a new loan agreement from the same existing loan lender of the subsidiary in order to settle the existing loan in the amount of Baht 220 million. The subsidiary has the commitment to repay the new loan on a quarterly basis for 60 installments and pay the interest monthly at the rate of MLR-1.50% to MLR-0.125% per annum commencing in April 2008, and the repayment of loan will be completed within January 2023, causing the former loan agreement to be entirely revoked.
2. On April 30, 2008, a subsidiary, Asia Airport Hotel Co., Ltd., had engaged in a new loan agreement from the same existing loan lender of the subsidiary in order to settle the existing loan in the amount of Baht 150 million. The subsidiary has the commitment to repay the new loan on a quarterly basis for 60 installments and pay the interest monthly at the rate of MLR-1.50% to MLR-0.125% per annum commencing in April 2008, and the repayment of loan will be completed within January 2023, causing the former loan agreements both short–term and long-term including the amendment to be entirely revoked.
3. A subsidiary, Zeer Property Plc., has loans from many banks as follows:

* On August 11, 2011, the subsidiary interred into loan agreement with a bank in facilities of Baht 140 million in order to settle the existing loan with a bank. The subsidiary has the commitment to repay the new loan on a quarterly basis for 40 installments and pay the interest monthly at the rate of MLR-1.50% per annum for the 1st – 3rd year, at MLR – 1.00% per annum for the 4th – 7th year and at MLR -0.50% per annum for the 8th year onwards, commencing in November 2011 and will be completed in October 2021.

On May 25, 2012, the Company entered into the loan agreement with the financial institution in facility of   
Baht 950 million for supporting the construction Zeer II and for supporting Apartment Project in facility of Baht 50 million .The first three years bear interest rate at MLR - 1.50% per annum, the fourth - seventh years at MLR - 1.00% per annum and the eighth year onwards at MLR - 0.50% per annum. The principal is paid on quarterly basis (44 periods) and its interest is paid on monthly basis. The repayment must be completed within September 2026.

Long-term loans are guaranteed by the partial of land leasehold right from a related company with its construction in Zeer Rangsit Building and guaranteed by a related company and some directors of the subsidiary.

Under the term of the loan agreement, the subsidiary has to maintain the D/E Ratio not exceed 2:1 and DSCR Ratio not lower than 1.1:1.

* On January 11, 2011, the subsidiary entered into loan agreement with a financial institution in credit line of Baht 180 million in order to provide loan to subsidiary ZEER OVERSEA LLC. to purchase investment properties in USA. The principal is required to be paid through 120 installments and interest is required to be monthly paid with interest rate at MLR – 0.25% per annum for the 1st – 2nd year and at MLR per annum for the third year onwards, commencing in April 2011 and will be completed in March 2021. In the second quarter of year 2017, the subsidiary fully repaid the principal.

Long-term loan is guaranteed by some of leasehold right on Zeer Rangsit Building which is hold by a domestic subsidiary, land with its construction of a related company, two related companies, a subsidiary in oversea and some directors of the Company and the subsidiary.

Under the term of the loan agreement, the subsidiary has to maintain the D/E Ratio not exceed 2.7:1 and DSCR Ratio not lower than 1.25:1.

* On February 2, 2010, the subsidiary had loan from bank in facilities Baht 208 million in order to purchase land with construction (Cha-am Project) in amount of Baht 128 million with interest rate at MLR-0.25% per annum for the 1st – 2nd year and at MLR% per annum for the 3rd year onwards, through 120 monthly installments. The loan is graced for principal payment for the first 18 installments. The loan repayment is started in August 2011 and will be completed in January 2020.

And on February 27, 2016, the subsidiary entered the long-term loan agreement with the financial institution amount of Baht 50 million for investing in the meeting room and swimming pool at Cha-am Project with the interest rate at MLR - 0.25% per annum. The repayments principal and its interest is made on monthly basis (72 periods with grace period on 1st- 6th installments) and the repayments must be completed within 6 years since the first loan drawdown date.

Long-term loan is guaranteed by some of land with its construction in Cha-am Project and guaranteed by two related companies, a domestic subsidiary and the directors of the Company and the subsidiary.

Under the term of the loan agreement, the subsidiary must maintain of the financial ratio, D/E Ratio not over than 2.7:1 and DSCR Ratio not less than 1.25:1.

* On October 21, 2016, the subsidiary entered the long-term loan agreement with the financial institution amount of Baht 150 million for renovation of the construction, furnishings, equipment and other expenses. The first three years bear interest rate at MLR - 1.5% per annum, the fourth year onwards is at MLR - 1.0% per annum. The principal is repaid on quarterly basis (24 installments starting the first installment repayments in 15th month from the date of the first drawdown) and its interest is paid on monthly basis. The repayments must be completed within 7 years since the first loan drawdown date.

Long-term loan is guaranteed by some of leasehold right from related companies on Zeer Rangsit, Zeer 2 Project, and Apartment Project and guaranteed by a related company and some directors of the subsidiary.

Under the term of the loan agreement, the subsidiary has to maintain the D/E Ratio not exceeding 2:1 and DSCR Ratio not lower than 1.1:1.

* On February 6, 2017, the subsidiary, Zeer Property Plc., entered into the long-term loan agreement with the financial institution amount of Baht 80 million for the investment in subsidiary, Spa Hotel Co., Ltd. The first three years bear interest rate at MLR - 1.5% per annum, the fourth year onwards is at MLR - 1.0% per annum. The principal is repaid on quarterly basis (34 installments starting the first installment repayments in 21st month from the date of the first drawdown.) and its interest is paid on monthly basis. The repayments must be completed within 10 years since the first loan drawdown date.

Long-term loan is secured by the mortgage of land with its construction of a subsidiary, Spa Hotel Co., Ltd. and guaranteed by some directors of the subsidiary.

Under the term of the loan agreement, the subsidiary which is Zeer Property Plc. has to maintain the D/E Ratio not exceeding 2:1 and DSCR Ratio not lower than 1.1:1.

1. On December 19, 2017, the subsidiary, Spa Hotel Co., Ltd entered a long-term loan facility agreement with a financial institution in the amount of Baht 111 million for renovation of the construction, furnishings, equipment and other expenses in amount of Baht 100 million, and for the purchase of land with construction in the amount of Baht 11 million.

The interest rate of the two facilities for the first three years are set at MLR - 1.5% per annum, the fourth - seventh years at MLR – 1.0% per annum, and for the eighth year onwards at MLR - 0.5% per annum. The principal is repaid on quarterly basis (32 installments, the first occurring 27th months from the date of the first drawdown.) and its interest is paid on monthly basis. The repayments must be completed within 10 years from the first loan drawdown date.

The long-term loan is guaranteed by land and its accompanying construction of subsidiary, Spa Hotel Co., Ltd. and by certain directors of the subsidiary.

According to the terms of the loan agreement, the subsidiary must maintain the following financial ratios:

- From the years 2019 to 2021, a maximum D/E Ratio of 2:1.

- From the year 2022 onward, a maximum D/E Ratio of 1.5:1.

- From the year 2020 onward, a minimum DSCR Ratio of 1.1:1.

The Company and its two subsidiaries, Asia Pattaya Hotel Co., Ltd. and Asia Airport Hotel Co., Ltd., mortgaged land with its construction together with leasehold right on space in Zeer Rungsit Complex for 39,380 square meters which is the location of Asia Airport Hotel and the guarantee from related companies and some directors of the Company and of the subsidiaries as collateral for the Company’s loans from bank in facilities of Baht 1,470 million , Asia Pattaya Hotel Co., Ltd. in facilities of Baht 220 million, Asia Airport Hotel Co., Ltd. in facilities of Baht 150 million and loan of Zeer Property Plc. in facilities of Baht 388 million.

A subsidiary, Zeer Property Plc., mortgages investment properties, land with its construction (Cha-am Project), leasehold right (sub-contract) of Zeer Rungsit Complex, and has the guarantee from related companies, related persons and some directors of Zeer Property Plc. as collateral for its loans from bank in facilities of Baht 1,758 million.

1. **LIABILITIES UNDER FINANCIAL LEASE AGREEMENTS – NET**

Liabilities under financial lease agreements as at December 31, 2017 and 2016 are as follows:



The Group entered into lease agreements with the financial institution for operating vehicles. The leases agreements have the terms of 4 years and bear interest rates between 5.75% to 5.99% per annum. The repayment of Baht 0.12 million in the consolidated financial statements and of Baht 0.02 million in the separate financial statements will be made on a monthly basis.

1. **EMPLOYEE BENEFIT OBLIGATIONS**

Movements of the present value of employee benefits obligation for the years ended December 31, 2017 and 2016 are as follows:



Employee benefit expenses in profit or loss for the year ended December 31, 2017 and 2016, consisted of:

The Group has defined benefit plan in accordance with severance payment under the labor law which entitled retired employee within work service period in various rates.

The actuarial assumption of discount rate is estimated from weighted average of yield rate of government bonds that reflects the estimated timing of benefit payments.

The actuarial assumption of mortality rate for reasonable estimation of probability of retirement in the future is estimated from mortality table of 2008 (TMO 2008) from the Office of Insurance Commission.

Principal actuarial assumptions as at December 31, 2017 and 2016 (represented by the weighted–average) consisted of:



The result of sensitivity analysis for significant assumptions that affect the present value of the long-term employee benefit obligations as at 31 December 2017 are summarized below:



1. **GUARANTEE FOR RENTAL**

Guarantee for rental as at December 31, 2017 and 2016 are as follows:



Guarantee for rent of the Company and subsidiaries will be returned to the lessees when the lease agreements are terminated.

1. **DEFERRED REVENUE – LEASEHOLD RIGHTS ON LEASED AREA**

Deferred revenue – leasehold rights on leased area as at December 31, 2017 and 2016 are as follows:



A subsidiary, Zeer Property Plc., entered into a lease agreement with the lessees to rent the area in Zeer Rangsit Complex, for a leasehold rights period of 21-28 years. Zeer Property Plc. recognized the deferred income - leasehold rights on leased area, as income using the straight-line method over 21-28 years as per lease agreement period.

1. **LEGAL RESERVE**

Under the provisions of the Public Company Limited Act B.E. 2535, the Company is required to set aside as legal reserve at least 5% of its net income for the year until the reserve reaches an amount not less than 10% of the authorized common share capital. The legal reserve is not available for dividend distribution.

1. **DEVIDEND PAYMENTS**

According to the Board of Director Meeting No. 11/2017 held on November 13, 2017, the Board approved to pay an interim dividend for operating result from January 1, 2017 to June 30, 2017 at the rate of Baht 0.60 per share of 32 million shares totaling Baht 19.20 million. The shareholders’ names who have right to receive dividend were on November 29, 2017. The dividend was paid on December 12, 2017.

According to the Annual Shareholders’ Meeting No. 55 held on April 26, 2017, the shareholders passed the resolution to pay dividend for operating result from January 1, 2016 to December 31, 2016 at the rate of Baht 0.85 per share of 32 million shares totaling Baht 27.20 million which was paid on May 25, 2017.

According to the Annual Shareholders’ Meeting No. 54 held on April 21, 2016, the shareholders passed the resolution to pay dividend for operating result from January 1, 2015 to December 31, 2015 at the rate of Baht 4.25 per share of 32 million shares totaling Baht 136 million. The Company paid interim dividend at the rate of 2.25 Baht per share totaling Baht 72 million on September 9, 2015. Therefore, the remaining dividend to be paid at the rate of Baht 2.00 per share in the amount of Baht 64 million which was paid on May 19, 2016.

1. **COMMITMENTS AND CONTINGENT LIABILITIES**

As at December 31, 2017, the Company and subsidiaries had the commitments and contingent liabilities, as follows:

* 1. Letters of guarantee issued by banks are as follows:

28.1.1 The Company: in the amount of Baht 5.87 million.

28.1.2 Subsidiary – Asia Pattaya Hotel Co., Ltd.: in the amount of Baht 1.32 million.

28.1.3 Subsidiary – Zeer Property Plc.: in the amount of Baht 17.91 million.

28.1.4 Subsidiary – Asia Airport Hotel Co., Ltd.: in the amount of Baht 1.20 million.

* 1. The Company guarantees liabilities of its two subsidiaries in the amount of Baht 1,009.50 million.
  2. The subsidiary – Asia Pattaya Hotel Co., Ltd. guarantees liabilities of the Company and two subsidiaries in the amount of Baht 2,185 million.
  3. The subsidiary - Asia Airport Hotel Co., Ltd. guaranteed liabilities of the Company and two subsidiaries in the amount of Baht 1,785 million.
  4. The subsidiary– Zeer Property Plc. has credit line for foreignexchange of Baht 180 million from a bank which has not been withdrawn yet. Such credit lines were guaranteed by leasehold land of a related company, partial leasehold land in Zeer Rungsit of the subsidiary, land with construction on Cha-am project, a related company and the director of the Company and the subsidiary.
  5. The subsidiary – Zeer Property Plc. has the Stand By Letter of Credit (SBLC) facility of USD 3.8 million with the domestic financial institution in order to use as security for the Revolving Line of Credit with a foreign financial institution of the subsidiary, ZEER OVERSEA LLC.
  6. The subsidiary– Zeer Property Plc. has obligation to pay for construction project in the future as at December 31, 2017 in the amount of Baht 78.57 million.
  7. The subsidiary– Spa Hotel Co., Ltd. has obligation to pay for construction project of hotel and shopping complex at Chiang Mai in the future as at December 31, 2017 in the amount of Baht 39.60 million.
  8. The subsidiary– Zeer Property Plc. has commitment to repay land rental fee under contract with Don Mung Grand Plaza Co., Ltd. as follows:

1. **INFORMATION BY SEGMENT**

The Group segmental information is divided into the room service, operating restaurants, rental of shopping complex and real estate and are mainly carried on both in Thailand and overseas which operated by subsidiaries.

The financial information of the Company and its subsidiaries by segment, for the year ended December 31, 2017 and 2016 are as follows:



Segment information on geographic of the Company and subsidiaries as at December 31, 2017 and 2016 were as follows:



1. **PROVIDENT FUND**

On January 28, 2011, the Company and subsidiaries and employees jointly registered the provident fund according to the Provident Fund Act B.E. 2530 and the Provident Fund Act (No. 2) B.E. 2542 and appointed an authorized manager to administer the fund. The fund is accumulated by the Company and employees and will be paid to the employees when they resign according to the fund’s regulations.

The Company and subsidiaries paid for employee’s provident funds for the year ended December 31, 2017 and 2016 in amount of Baht 7.82 million and Baht 7.95 million, respectively in consolidated financial statements and Baht 3.54 million in separate financial statements.

1. **OTHER INCOME**

Other income for the years ended December 31, 2017 and 2016 are as follows:

**

From the severe flood crisis in Thailand in 2011, the subsidiary, Zeer Property Plc., has been affected from the damaged assets. The subsidiary has insurance coverage for loss or damage from flood. The subsidiary has received partial compensation and has filed civil lawsuits against two insurance companies to claim for the compensation.

On February 9, 2016, the Court of Appeals ordered two insurance companies to pay: Baht 120.49 million to the subsidiary, plus interest rate of 7.5 percent per annum on such principal as from October 21, 2011; a penalty of Baht 4.00 million; and court fees and attorney fees of Baht 0.50 million. The two insurance companies have filed an appeal with the Supreme Court on April 7, 2016.

On December 6, 2017, the Civil Court read the Supreme Court Order. The Supreme Court, according to its Order dated July 4, 2017, dismissed the defendant’s petition. Therefore, the two insurance companies must comply with the judgment of the Court of Appeals. As a result of the litigation, the subsidiary recorded gain on compensation from insurance claim in the amount of Baht 124.99 million and interest from compensation on an insurance claim of Baht 54.79 million as other income in the consolidated statement of profit or loss for the year ended December 31, 2017. Currently the subsidiary in the process is requesting payment of compensation under the judgment of the Court.

1. **EXPENSES BY NATURE**

Significant expenses analyzed by nature for the years ended are as follows:

****

1. **DIRECTORS’ REMUNERATION**

Directors’ remuneration represents the benefits paid to the Company’s directors in accordance with Section 90 of the Public Limited Companies Act, excluding salaries and related benefits payable to executive directors.

1. **MANAGEMENT BENEFIT EXPENSES**

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

1. **CAPITAL MANAGEMENT**

The Board's policy is to maintain a strong capital base so as to maintain assurance of shareholder, investor, creditor and market confidence and to sustain future development of the business. The Board monitors the return on capital which the Company defines as result from operating activities divided by total shareholders' equity, excluding Non-controlling interests and also monitors the level of dividends to ordinary shareholders.

1. **FINANCIAL INSTRUMENT**

**Interest Rate Risk**

Interest rate risk arises from the potential change in interest rates that have an adverse effect on the earnings of the Company in the current reporting period and in future years, and the Company and its subsidiaries have a risk on the change of interest rates because of their huge liabilities.

**Credit risk**

Credit risk refers to the risk if the other parties fail to perform their obligations, resulting in a financial loss to the Company. However, there is no significant concentration of credit risk for the Company and its subsidiaries. If the other parties fail to perform their contracts, the Company provides a provision for doubtful accounts in the full amount.

In the case of financial assets, the carrying amount of the assets recorded in the statement of financial position, net of allowance for doubtful accounts, represents the Company’s maximum exposure to credit risk.

**Fair value of financial instruments**

The following methods and assumptions are used to estimate a fair value of each class of the Company’s financial instruments.

* Financial assets are shown at estimated fair value.
* Financial liabilities are shown at the book value which is considered fair value because such liabilities will be matured in short-term and long-term loan bears the floating interest rate.

1. **APPROVAL OF FINANCIAL STATEMENTS**

These financial statements have been approved by the Company’s board of directors on February 27, 2018.