



ANNUAL REPORT 2018

Amax International Holdings Limited

奧瑪仕國際控股有限公司

(Incorporated in Bermuda with limited liability)

Stock Code: 959

Contents

Corporate Information	2
Chairman's Statement	3
Management Discussion and Analysis	6
Corporate Governance Report	16
Directors' Report	29
Independent Auditor's Report	40
Consolidated Statement of Profit or Loss	43
Consolidated Statement of Profit or Loss and Other Comprehensive Income	44
Consolidated Statement of Financial Position	45
Consolidated Statement of Changes in Equity	47
Consolidated Statement of Cash Flows	48
Notes to Consolidated Financial Statements	49
Five-year Financial Summary	124

Corporate Information

BOARD OF DIRECTORS

Executive

Mr. Ng Man Sun (*Chairman and Chief Executive Officer*)
Ms. Ng Wai Yee

Independent Non-executive

Ms. Yeung Pui Han, Regina
Mr. Li Chi Fai
Ms. Sie Nien Che, Celia

AUDIT COMMITTEE

Mr. Li Chi Fai (*Chairman*)
Ms. Yeung Pui Han, Regina
Ms. Sie Nien Che, Celia

COMPLIANCE COMMITTEE

Ms. Ng Wai Yee (*Chairman*)
Mr. Li Chi Fai
Mr. Wong Sze Lok (*Chief Financial Officer*)
Mr. Cheung Tai Chi (*Company Secretary*)

REMUNERATION COMMITTEE

Ms. Yeung Pui Han, Regina (*Chairman*)
Ms. Ng Wai Yee
Ms. Sie Nien Che, Celia

NOMINATION COMMITTEE

Mr. Ng Man Sun (*Chairman*)
Ms. Yeung Pui Han, Regina
Ms. Sie Nien Che, Celia

COMPANY SECRETARY

Mr. Cheung Tai Chi

AUDITOR

Elite Partners CPA Limited

LEGAL ADVISER

Cheng, Yeung & Co.

INVESTOR RELATIONS CONSULTANT

Get Like Financial Communications Limited

STOCK CODE

959

BRANCH SHARE REGISTRAR

Tricor Secretaries Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Units 5106-07, 51/F.
The Center
99 Queen's Road Central
Central
Hong Kong

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of Amax International Holdings Limited ("Amax" or the "Company"; stock code: 959) and its subsidiaries (collectively the "Group"), I present herewith the audited consolidated annual results for the year ended 31 March 2018 (the "Year under Review") (the "2018 Annual Results").

The Year under Review is the year that the Company had walked through the dark times and started to see the way out of the maze. Facing the tough market conditions in addition to the legal disputes yet to be resolved in the previous years, the Company was determined to turnaround the situation in 2018. The Company had begun to restructure its business structure while strived to settle the prolonged dispute that might hinder the business development of the Company. With the efforts made in 2017 and 2018, the Company is confident that we can bring positive business growth for sustainable development and revenue to our Shareholders.

BUILDING AND OPTIMIZING OUR COMPETITIVE EDGE

The Directors understand that the business environment and condition are never stagnant especially with the ever-evolving technological development. To keep pace with the market and with the objective to build up a unique and comprehensive business model, the Directors have been staying alert to the latest technological development and considering of combining these advancements into our gaming and entertainment business.

In late 2017, the Company had made its first move to step into the augmented relation ("AR")/virtual reality ("VR") entertainment areas by the acquisition of 50,000 issued shares of Explicitly Grand Investments Limited. We believe that this will allow us to investigate on the opportunity of utilizing the AR/VR technology in our gaming business to provide a novel and unique experience to our customers.

Envisioning the prospect of blockchain technology and cryptocurrency of which the market is currently raving about, the Company has engaged IDJ Cayman Fund Ltd. as an advisor for sourcing and/or setting up projects and/or business in relation to blockchain technology and cryptocurrency in early 2018. The Company believes that not only can we diversify our business operations, more importantly, we can grab hold of this new concept before our competitors and integrate it into our own existing business especially chaining up the AR/VR technology with the gaming business in Vanuatu that we can provide a more distinctive and a secured entertainment experience to our customers.

EXTENDING OUR GEOGRAPHICAL FOOTPRINTS

Apart from equipping ourselves, we also see great potential in the tourism of Southeast Asia and are determined to seek for business opportunities to further our business network in these locations.

Given the support of Cambodian government to the local hotel and entertainment industry and the booming of tourism year on year in Cambodia, the Board spots a valuable opportunity to tap into the entertainment business there especially Cambodia is still one of the smallest economies within the Association of Southeast Asian Nations (the "ASEAN") and less developed counties in Asia when competitors and other investors are still unaware of this golden gem. In November 2017, the Company had entered into a license agreement of the operating rights of the VIP room operating 13 baccarat tables located in a casino in Cambodia.

Chairman's Statement

Together with the Company's existing gaming business in Vanuatu, the Board believes that the Company is gradually building a broad network in the gaming and entertainment business beyond Macau, which will also open up new revenue sources for the Company.

STRATEGIC RESTRUCTURING

Meanwhile, the Company understands the business will never be sustainable if it keeps it expanding its business without refining its structure strategically according to the business operation and market condition so that the Company's resource can be utilize appropriately. During the Year under Review and subsequently, the Company had made a few important steps to achieve so.

The resolution of the Greek Mythology (Macau) Entertainment Group Corporation Limited ("Greek Mythology") issue has been progressing. For the past few years, the Group has been locked in a lengthy legal dispute with Greek Mythology, which has adversely affected the preparation of our consolidated financial statements. During the Year under Review, the Group has continued to exert considerable effort to overcome this obstacle by taking further appropriate action against Greek Mythology. The Group continues to publish announcements to update shareholders and potential investors on the latest developments of the business operation of Greek Mythology.

Aiming to focus on developing the gaming business and IT solutions business of the Group, the Company planned to dispose of the mobile game apps so as to strengthen the cash position of the Group for more flexibility to develop on these businesses and for daily operation of the Group. Besides, it helps pave the way for sufficient cash flow requirement under the settlement deed as described below.

With the persistent effort for negotiation of the lingering disputes regarding the 10-year zero-interest promissory notes, we eventually see the possibility to resolve the same. The Company, Ms. Lee Bing and Mr. Wu Weide, the holders of the disputed promissory notes, had entered into a deed of settlement in December 2017 and agreed on the settlement proposal. The Group is glad that with the approval from our independent shareholders in the special general meeting on 19 June 2018, we look forward to settling the dispute in the near future. The Company is more than ready to set off for a new journey of business.

OUTLOOK AND PROSPECT

Dawn of a new era

During the Year under Review, the Group had made tremendous efforts to reposition itself in the business and prepare itself to expand its business beyond Macau. The Group shall continue to focus on its gaming business in Vanuatu while developing on the new business as acquired. The stable business performance during the Year under Review has given confidence to the Company to move towards this direction of walking in parallel of the existing and newly acquired business, bearing the vision that they will complement and bring synergy to each other.

Upon resolution of prolonged dispute regarding the promissory notes, the financial position of the Company becomes more stable and flexible so that we look for potential business opportunities according to the market trends. With all the foundation laid during the Year under Review, we bear hope to generate addition revenue and long-term benefits and value to our investors and shareholders.

WORDS OF APPRECIATION

On behalf of the Board, I would like to extend my sincere thanks to the management and staff of the Group for their determined efforts and constant contributions during the past year. I wish to also express my gratitude to our shareholders for their unequivocal support. The Group resolves to continue to forge ahead, aiming to achieve sustainable growth in order to generate long-term value for our shareholders.

Ng Man Sun

Chairman

Hong Kong, 28 June 2018

Management Discussion and Analysis

The Directors of the Company hereby report the audited consolidated annual results of the Group for the year ended 31 March 2018. The 2018 Annual Results have been reviewed by the audit committee of the Company.

FINANCIAL REVIEW

The principal activities of the Group are investment holdings, operating the gaming business in Vanuatu and the VIP room in Cambodia, running the VIP gaming tables related operation and slot machines related operation, and the development of innovative intellectual properties and technological solutions in connection with mobile game apps development and AR/VR applications to clients.

During the Year under Review, the financial information of Greek Mythology was still unavailable for the preparation of the consolidated financial statements of the Company. Impairment losses on the interest in Greek Mythology and the amount due from Greek Mythology totaling approximately HK\$901.2 million had been made.

The Group recorded a revenue of approximately HK\$62.2 million for the Year under Review, increasing 445.6% as compared to approximately HK\$11.4 million last year. The increase in revenue was mainly attributable to the revenue derived from the gaming business in Vanuatu which has continued to achieve progress after its operation commenced in July 2016 and the stable revenue contributed by the business in Cambodia. Net loss for the Year under Review was approximately HK\$50.7 million, decreasing 94.9% as compared to approximately HK\$988.5 million last year. The decrease in loss was mainly due to the result of continuing cost streamlining efforts made by the Group and the reduction of the recognition of impairment losses during the year.

Capital Structure

As at 31 March 2018, the Company's total number of issued shares was 815,530,039 (31 March 2017: 599,799,179) at HK\$0.20 each. The Group's consolidated net assets totaled approximately HK\$359.2 million, representing an increase of approximately HK\$26.3 million as compared to that of approximately HK\$332.9 million as at 31 March 2017. During the Year under Review and up to the date of this report, the Company completed a number of placing and top-up subscription activities, raising a total of approximately HK\$22.41 million as detailed below.

Date of placing and subscription agreement	Date of completion	Price per share HK\$	No. of shares '000	Net proceeds (approximately) HK\$
24 May 2017	5 June 2017	0.43	16,000,000	6.80 million
6 September 2017	20 September 2017	0.35	16,000,000	5.31 million
28 September 2017	12 October 2017	0.36	30,000,000	10.30 million

Management Discussion and Analysis

Up to the date of this report, the proceeds from these placings were used for payment of the Company's general and administrative expenses and investment with major items detailed below:

Date of placing and subscription agreement	24 May 2017 HK\$	6 September 2017 HK\$	28 September 2017 HK\$
Net Proceeds	6.80 million	5.31 million	10.30 million
Use of net proceeds			
Staff salaries and Directors' fees	1.43 million	0.72 million	2.14 million
Rental and operating expenses	2.72 million	1.30 million	3.01 million
Legal and professional fees	0.97 million	0.77 million	2.25 million
Investment in Vanuatu gaming business	1.68 million	2.52 million	1.40 million
Settlement of payables	—	—	1.50 million
Total	6.80 million	5.31 million	10.30 million

Liquidity and Financial Resources

The Group adopts a prudent treasury policy. It finances its operations and investments with internal resources, cash revenues generated from operating activities and proceeds from equity fundraising activities.

As at 31 March 2018, the Group had total assets and net assets of approximately HK\$591.8 million (2017: approximately HK\$539.4 million) and HK\$359.2 million (2017: approximately HK\$332.9 million), comprising non-current assets of approximately HK\$537.2 million (2017: approximately HK\$511.1 million) and current assets of approximately HK\$54.6 million (2017: approximately HK\$28.3 million) which were financed by shareholders' funds of approximately HK\$359.2 million (2017: approximately HK\$332.9 million). The Group also had non-controlling interests of approximately HK\$53.2 million (2017: approximately HK\$51.2 million), current liabilities of approximately HK\$216.2 million (2017: approximately HK \$206.1 million) and non-current liabilities of approximately HK\$16.5 million (2017: approximately HK\$0.4 million).

The Group's gearing ratio, calculated as a ratio of debt to shareholders' equity, was approximately 65% (2017: 62%). As at 31 March 2018, the Group had cash and cash equivalents of approximately HK\$1.8 million (2017: approximately HK\$1.2 million).

Resolving the Prolonged Litigation

On 22 March 2006, the Group issued a batch of 10-year zero-interest promissory notes with a total face value of approximately HK\$1,454,722,000 as part of the consideration for acquiring a further 30% equity interest in Greek Mythology. Of the aforementioned amount, a promissory note of HK\$150,000,000 (the "PN 1") was issued to Ms. Lee Bing ("Ms. Lee") and promissory notes for the aggregate sum of HK\$150,000,000, all dated 1 April 2006, were issued to Mr. Huang Jian Nan ("Mr. Huang") (the "2006 Promissory Notes"), and that a promissory note of the amount of HK\$40,000,000 dated 18 September 2006 and which was derived from or arose from the purported transfer of the amount of HK\$40,000,000 from either one or more of the 2006 Promissory Notes, was issued to Mr. Wu Weide ("Mr. Wu") (the "PN 2"). It came to the attention of the Company that the PN 1 and PN 2 were issued to Ms. Lee and Mr. Wu under a mistaken belief that the legal title of the respective promissory note would be properly transferred to them. On 18 March 2016 and 15 September 2016, the Company issued a writ of summons in the Court of First Instance of the High Court of Hong Kong for claims against Ms. Lee and Mr. Wu, respectively. The results of the litigations will not affect the Group's liabilities as prescribed under the promissory notes.

Management Discussion and Analysis

During the Year under Review, the Group had persistently made every effort necessary to resolve the dispute regarding long outstanding items brought forward in the financial statements. On 29 December 2017, the Company entered into the deed of settlement (the "Deed") in relation to the settlement of the abovementioned disputes with Ms. Lee and Mr. Wu (collectively the "Holders"), pursuant to which the Company has agreed with the Holders on a settlement proposal in respect of the PN 1 and PN 2 concerned. The Company and the Holders agreed that on the seventh business day after the Company has obtained the approvals from the independent shareholders and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "First Payment Date"):

- (i) transferring and assigning a total sum of HK\$104,500,000 of the PN 1 and PN 2 in favour of Mr. Ng Man Sun ("Mr. Ng") or such other person or entity as the Company shall nominate; and
- (ii) paying a total sum of HK\$85,500,000 to the Holders in the following manner:
 - (a) the sum of HK\$5,500,000 and which shall be paid to the solicitors of the Holders;
 - (b) the sum of HK\$20,000,000 by the issuance of promissory notes in favour of the Holders and with a maturity date falling on the last business day of the period of nine calendar months after the First Payment Date (the "Second Payment Date");
 - (c) the sum of HK\$30,000,000 by the issuance of promissory notes in favour of the Holders and with a maturity date falling on the last business day of the period of nine calendar months after the Second Payment Date (the "Third Payment Date"); and
 - (d) the balance of HK\$30,000,000 to be satisfied by the issuance by the Company of a convertible bond in favour of the Holders (the "Convertible Bonds") with the proposed conversion price of the Convertible Bonds at HK\$0.249 per share under specific mandate. In case the Holders intend to sell, transfer, assign or dispose of the Convertible Bonds or any part thereof to a third party, the Holders shall first serve a written notice to Mr. Ng, with a copy to the Company offering to sell to Mr. Ng.

In order to secure the payment obligations by the Company to the Holders, the Company delivered an executed personal guarantee given by Mr. Ng to guarantee the payment of the Company's payment obligations under the Deed in favour of the Holders.

Upon the cancellation of the PN 1 and PN 2, the assignment of the aggregate sum of HK\$104,500,000 to Mr. Ng from the Holders will be settled by the Company by issuing the promissory notes ("Ng PN") to Mr. Ng. Meanwhile, on 1 March 2018, the Company had entered into a second deed of settlement (the "Second Deed") with Mr. Ng, pursuant to which the outstanding amount under Ng PN will be settled by issuing the convertible bonds (the "Second Convertible Bonds") by the Company to Mr. Ng at a conversion price of HK\$0.30 per share.

Further details of the abovementioned matters are set out in the circular of the Company dated 31 May 2018.

The abovementioned deeds and issue of convertible bonds have been approved by the independent shareholders at a special general meeting of the Company held on 19 June 2018. As at the date of this report, the Company has just obtained approval from the Listing Committee of the Stock Exchange on the listing of the conversion shares.

Management Discussion and Analysis

The Company is in the view that the PN 1 and PN 2 which are outstanding are undisputed liabilities of the Company and need to be repaid irrespective of the disputes between Mr. Ng, Ms. Lee and Mr. Wu on the title of the PN 1 and PN 2. By entering into the Deed and the Second Deed and dismissing the related legal proceedings, the Company can fully resolve the disputes in connection with the PN 1 and PN 2 and can avoid incurring further legal costs to continue the legal proceedings. The Company believes that with this uncertainty possibly removed shall have positive effect on the financial position and net asset value of the Company.

Foreign Exchange and Currency Risks

It is the Group's policy for its operating entities to operate in their corresponding local currencies to minimise currency risks. The principal businesses of the Group are conducted and recorded in Hong Kong dollars, United States dollars, Renminbi and Macau Patacas. As its exposure to foreign exchange fluctuation is minimal, the Group does not see the need for using any hedging tools.

BUSINESS REVIEW

The Year under Review is a bitter and sweet time for the Company. Notwithstanding of the obstacles it faced, the Group has continued to focus on exploring other potential business ventures according to the market developments. The Board understands that healthy development of the Company not only relies on new business opportunities but also a sufficient capital and resources of the Company. During the Year under Review, the investment of the Group in previous years has started to bear fruit whilst the Group had continued to equip itself with its investments in potential business in strategic location of Cambodia as well as to maintain its healthy financial capital. With the foundation cemented during the Year under Review, the Company has begun to take bold yet prudent steps to keep pace with the industry, injecting innovative and advanced technologies and concepts into our existing business whilst opening up new opportunities to the Company.

Gaming business in Vanuatu — Forenzia Enterprises Limited

The Group has acquired 60% equity interests in Forenzia Enterprises Limited in 2014, which principally operates gaming business in Vanuatu under an interactive gaming license valid for a period of 15 years from February 2014.

The gaming business in Vanuatu has persistently brought steady contributions to the Group since it commenced operation in July 2016. During the Year under Review, the business recorded gross revenue of HK\$17.7 million.

In view of the changing market conditions and to retain control of the situation, the management has continued to adjust its positioning and maintained the more conservative strategy by reviewing and cutting the operational expenses. During the Year under Review, the operation cost has significantly dropped by approximately 50%. The management had also engaged a new operator for management of the business in Vanuatu and we have confidence that this change would bring new impetus and inspiration to the business.

With the transaction regarding exclusive operating rights of the VIP room in Cambodia being completed in November 2017 as set out in the below section, the Board believes that there will be mutual benefits as well as synergy effects to one another and to the existing business of the Company. It further broadens the business horizon of the Group in the ASEAN. The Board bears confidence in the long-term success of the gaming business, which will contribute significantly and positively to the performance of the Group.

Management Discussion and Analysis

Gaming Business in Cambodia – Operating rights of a VIP room

On 30 November 2017, Victor Mind Global Limited, a wholly-owned subsidiary of the Company, as licensee (the "VMG") and Crown Resorts Co., Ltd, as Licenser (the "Licenser"), entered into a license agreement (the "License Agreement"), pursuant to which the Licenser has agreed to rent the VIP Room with 13 baccarat tables at Genting Crown Casino in Cambodia (the "VIP Room") to the Licensee for a term of 3 years commencing 1 December 2017.

The operation of the VIP Room was outsourced to an independent operator appointed by VMG. The Directors see Cambodia as a strategic location for the Company to extend its business domain in Southeast Asia. Cambodia has been one of the members of ASEAN since 1997 which has been enjoying numerous free trade arrangements among Asia countries. The Cambodian government has been supporting the local hotel and entertainment industry and more important is that, gambling is illegal in most of the countries sharing borders with Cambodia due to religious or other factors. Cambodian government went on to welcome gambling providers into the country during the past few years and its liberal gambling laws have been successful in attracting major investors into its casino industry. With the combined effect of (i) nil gaming tax is imposed; and (ii) aggressive promotion campaign launched by the Cambodian government, it is expected that gambling industry in Cambodia will continue to experience a high net-worth growth in future.

Apart from the traditional popular gaming and tourist areas, such as Phnom Penh and Sihanoukville, in border towns such as Poipet, there are "casino strips" between border checkpoints so that foreign nationals may cross the border to gamble then return home without officially passing through the Cambodian checkpoint, thereby eliminating the need for visas.

Given the above, the management of the Company is of the view that Poipet, where the VIP Room is located, has potential to become another well developed gaming city in Cambodia after Phnom Penh. The entering into of the License Agreement with Genting Crown Casino for an exclusive period of three years represents a valuable business opportunity for the Company to promptly develop its gaming business in Cambodia.

Together with the Company's existing gaming business in Vanuatu, the Board believes that the Company is gradually building a broad network in the gaming and entertainment business beyond Macau, which will also open up new revenue sources for the Company. It also represents an opportunity for the Company to establish its brand name in South East Asia.

Since the commencement of the License Agreement in December 2017, the revenue brought by the VIP Room in Cambodia has begun to be reflected in the financial results for the Year under Review. The Directors are more than confident that the business performance will live up to the expectation and generate steady revenue to the Group.

Augmented reality ("AR")/Virtual reality ("VR") entertainment – Explicitly Grand Investments Limited

On 18 July 2017, Digital Zone Global Limited (the "Purchaser"), a wholly-owned subsidiary of the Company, agreed to acquire 100% interests in Explicitly Grand Investments Limited ("Explicitly Grand") at a consideration of HK\$63,500,000 (the "Acquisition"). The Acquisition was subsequently completed on 18 October 2017.

Explicitly Grand and its subsidiaries ("Explicitly Grand Group") are specialised in the AR/VR entertainment developments and apps on mobile devices platforms and also provide customised IT and design solutions for its customers which include real estate companies, retails, food and beverage, electronics, manufacturing and entertainment and theme parks in China. The Directors believes that the Acquisition would enable the Group to equip with the latest AR/VR technologies and research capabilities and in the long run, as part of its strategy to leverage on its expertise in the gaming and entertainment businesses, to seize the opportunity to expand the Group's entertainment business in the AR/VR apps and entertainment platforms. With the possible development in blockchain technology business brought by LDJ Cayman Fund Ltd.,

Management Discussion and Analysis

the blockchain technology advisor we engaged on 18 January 2018, details of which shall be stipulated below, the Company shall investigate on the opportunities for strategic collaboration of the two technologies and create economies of scales of the overall businesses.

During the Year under Review, the Group has started consolidating the financial results of Explicitly Grand Group into the Group since the completion of the Acquisition. In addition, the Explicitly Grand Group has also fulfilled the guaranteed profit for the year ended 31 March 2018, details of which shall be disclosed below. The Board believes that it will continue to contribute stream of revenue and cash flow support to the Group.

Mobile Game Apps

Sustainable business will only be achieved with appropriate steps taken in accordance to the market situation and the Company's business. In 2017, the Company has acquired 30 mobile game apps ("Mobile Game Apps") and during the Year under Review, the Company was striving for the design and development of its own platform.

During the Year under Review, the Company has been reviewing the business performance of the Group's existing business segments, the Company was determined to focus more resources on the Group's gaming business and IT solutions business. On the other hand, the Group is sourcing fund to proceed with the cash flow requirement under the settlement deed dated 29 December 2017 as disclosed below. Therefore, the Company decided to dispose of the Mobile Game Apps business. On 30 April 2018, Digital Zone Global Limited, a wholly-owned subsidiary of the Company incorporated in British Virgin Islands, as vendor (the "Vendor") and Bole International Investment Co., Ltd., an independent third party (as defined in the Listing Rules), as the purchaser (the "Purchaser") had entered into an agreement (the "Agreement") pursuant to which the Vendor has conditionally agreed to dispose of, and the Purchaser has conditionally agreed to purchase the Mobile Game Apps at a consideration of HK\$30,000,000 (the "Consideration").

The Consideration represents a premium over the carrying value of the Mobile Game Apps of HK\$28,300,000 as at 30 April 2018. The net cash proceeds from the disposal, after deducting the estimated expenses in relation to the disposal, will amount to approximately HK\$29.8 million. The Directors are of the view that the disposal will strengthen the Group's cash position to (i) meet the cash flow requirement under the settlement deed when materialized; (ii) retain resources to develop the Group's gaming business and IT solutions business; and (iii) for general working capital to maintain daily operation of the Group.

Blockchain Technology

The blockchain technology is undeniably one of the most ingenious recent invention in the IT world. It redefines and changes the way we transact and is believed to be the key architecture for digital currency like Bitcoin. It advances the verification of authenticity and the security of cryptography while maintaining the openness of the internet, building a safer internet system for online transactions.

Grabbing hold of this new technology with huge potential, the Company had entered into an advisory agreement with LDJ Cayman Fund Ltd. (the "Advisor") on 18 January 2018 pursuant to which the Advisor shall act as the non-exclusive advisor of the Company to source and/or set up projects and/or business in relation to blockchain technology and cryptocurrency which must be subject to compliance with relevant law and regulations.

Through the co-operation between the Company and the Advisor, the Company wishes to diversify its business operations, broaden its income sources and explore investment and/or development opportunities which may increase the return to the Shareholders. The Company is optimistic about the future prospects of blockchain technology and its application across the global communities. Blockchain technology is safer, more usable, more efficient and smarter than traditional technologies.

Management Discussion and Analysis

Given the solid background of Mr. Drake, the founder of the Advisor, in the blockchain industry, the Company believes that the co-operation between the Company and Mr. Drake presents a valuable business opportunity for the Company to step into the area of blockchain technology.

Greek Mythology

The Group holds 24.8% equity interests in Greek Mythology (Macau) Entertainment Group Corporation Limited ("Greek Mythology"), which operates and manages Greek Mythology casino at Beijing Imperial Palace Hotel (formerly known as New Century Hotel) in Macau. With Greek Mythology refusing to provide the Company with valid financial information since 2012, the Group has initiated a series of legal actions to obtain the relevant annual accounts. Furthermore, the Group's legal representative has issued demand letters to Greek Mythology requesting the repayment of the outstanding amount due from Greek Mythology. However, Greek Mythology failed to respond to such requests.

Having considered the position of Greek Mythology and according to further advice from the Macau lawyers, the Company applied to the Macau Court on 19 June 2017 for the appointment of Mr. Ng Man Sun, Chairman and Chief Executive Officer of the Company, as the administrator of Greek Mythology (the "Application"). If the court order is granted, the Company would have access to the financial information of Greek Mythology and participate in the management of Greek Mythology.

On 7 June 2018, the Company was informed by the Macau lawyer that the Macau Court had failed to summon the existing board members of Greek Mythology on 29 May 2018. The Macau lawyer advised that they have then submitted a request to the Macau Court for the approval for publicly publishing the corresponding summons. As at the date of this report, the responses from the Macau Court to this request are still pending.

Given that the granting of the court order on the Application is subject to the procedural time of the Macau Court, the Company is advised that it is expected to take further 8 to 18 months, depends on the development of the Application, to complete the necessary legal proceedings of the Application in order to allow the Company to get direct access to the financial information of Greek Mythology.

The Board has been trying all possible steps to remove the prolonged disclaimer of opinion raised by the auditors. However, the Board is also aware that such disclaimer of opinion was a result of some historical events which require significant resources and effort to resolve. The Company is continuing to consider taking all steps appropriate to resolve the Greek Mythology issues. It also closely monitors developments pertaining to this matter and will inform shareholders of any significant progress.

Principal risks of the Group

The following are keys risks that are considered to be of great significance to the Group and have potential to affect the Group's business adversely and materially. This list is likely to change over time. The continually changing environment in which the Group operates also mean that the list cannot be an exhaustive list of all significant risks that could affect the Group.

(1) Market competition and economy

The Group operates in a highly competitive industry and demand for the type of gaming services the Group offer is sensitive to downturns and uncertainties in the global and regional economy and corresponding decreases in discretionary consumer spending. Changes in discretionary consumer spending or consumer preferences could be driven by factors such as perceived or actual general economic conditions, energy, fuel and other commodity prices,

Management Discussion and Analysis

the cost of travel, employment and job market conditions, actual or perceived levels of disposable consumer income and wealth, and consumer confidence in the economy. These and other factors have in the past reduced consumer demand for the gaming services the Group offer, imposed practical limits on pricing and materially and adversely affected its business, financial condition and results of operations and could affect the Group's liquidity position.

Risk mitigation

The Group carries out continual review of competition and market trends with an aim to maintain a competitive position through diversifying its portfolio and geographical revenue.

(2) *Money laundering and other illegal activities*

Gaming business in Vanuatu is easily subject to exploitation for money laundering purposes. Any incident of money laundering, accusations of money laundering or regulatory investigations into possible money laundering activities involving the Group, the operator, its employees, its junkets or its players could have a material adverse impact on its reputation, relationship with its regulators, business, cash flows, financial condition, prospects and results of operations. Any serious incident of money laundering or regulatory investigation into money laundering activities may cause a revocation or suspension of the Gaming License.

Risk mitigation

The Group has to comply with the Code of Practice of Vanuatu Interactive Gaming Act No. 16 of 2000 ("Code of Practice") issued by the Ministry for Finance and Economic Management of Vanuatu in respect of anti-money laundering, measures covered by the Code of Practice including, but not limited to:

1. to verify individuals' identities and keep proper records on the players and junkets in the database of the operating application;
2. to record any bets, single or aggregated, over a certain amount by the recording system of the operating application, which can record and report on each transactions with the parties involving in such transaction; and
3. to report suspicious irregularities to relevant authorities, which the operator will monitor the report from the operating application to identify any suspicious irregularities and report to the Target Group and relevant authorities immediately.

In addition, the Group does not intend to incorporate payment gateways into the operating application, therefore, the operating application cannot accept credit card or any forms of electronic currencies for the transactions.

All the games in the operating application are run in a computer system and the operator can track high value and suspicious transactions and generate a report when it detects any suspicious or high value transaction. Upon receiving reports of high value or suspicious transactions, the operator will review the details of the case and decide on the course of action. If there is a suspicious transaction, the operator will report to the Financial Intelligence Unit of Vanuatu and will provide a report to the regulator.

The Company conducted internal control review on the internal systems and procedures of the Group and will continue to monitor the anti-money laundry mechanism of the Group.

Management Discussion and Analysis

(3) *Catastrophic events*

The Group's Vanuatu operation could be disrupted by catastrophic events such as severe storm or flood. The occurrence of these events could adversely affect the Group's operation and require substantial expenditures and recovery time in order to resume operations.

Risk mitigation

The Group has taken these potential risks into account when selecting appropriate data centre for the operation and will also ensure that adequate insurance coverage is in place.

ADDRESSING ALL CONCERNS RAISED BY THE COMPANY'S AUDITORS

Since 2012, the management of Greek Mythology (Macau) Entertainment Group Corporation Limited ("Greek Mythology") had refused to provide the Company with valid and audited financial information of Greek Mythology, as a result, the Company is unable to: 1) conduct valuation on intangible assets based on the latest audited financial information of Greek Mythology; 2) incorporate the results of Greek Mythology into the Group's consolidated financial statements for the year ended 31 March 2018; 3) determine the Company's interest in Greek Mythology and assess the recoverability of the amount due from Greek Mythology as at 31 March 2018.

In this regard, the Company's auditors are unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the consolidated financial statements. The disclaimer of opinion (the "Disclaimer of Opinion") issued by the Company's auditors was related to, among other things, 1) Opening balances and corresponding figures; 2) Scope limitation — Interest in Greek Mythology and share of results of Greek Mythology and; 3) Scope limitation — Recoverability of amount due from Greek Mythology and valuation of intangible assets.

In view of addressing and removing the Disclaimer of Opinion, the Company has initiated a series of actions, which are set out in the Business Review section above, to obtain the audited financial statements of Greek Mythology.

Subsequent to the filing of the application with the Macau Court for the appointment of Mr. Ng as the Administrator of Greek Mythology in June 2017, on 7 June 2018, the Company was informed by the Macau lawyer that the Macau Court had failed to summon the existing board members of Greek Mythology on 29 May 2018. The Macau lawyer advised that they have then submitted a request to the Macau Court for the approval for publicly publishing the corresponding summons. As at the date of this report, the responses from the Macau Court to this request are still pending. Given that the granting of the court order on the Application is subject to the procedural time of the Macau Court, the Company is advised that it is expected to take further 8 to 18 months, depending on the development of the Application, to complete the necessary legal proceedings of the Application in order to allow the Company to get direct access to the financial information of Greek Mythology.

As stated in the announcement of the Company dated 4 September 2017 in relation to the annual report of the Company for the year ended 31 March 2017, upon successful appointment of the Administrator, the Company shall perform the following steps to reveal the documents of Greek Mythology in order to address the Disclaimer of Opinion:

- liaise with principal bank(s) of Greek Mythology to retrieve all outstanding bank statements, copies of cheque(s) issued and banking applications made by Greek Mythology;
- liaise with relevant government authorities to retrieve all documents filed by the then management of Greek Mythology;
- ascertain whether the outstanding financial information are available and complete and if necessary, rebuild all accounting schedules and financial statements of Greek Mythology; and

Management Discussion and Analysis

- discuss and agree with the Company's auditors on the scope, procedures and timeline for the audit on the financial information of Greek Mythology.

The Company had previously discussed with the auditors and considered that appointing the Administrator to access all books and records of Greek Mythology is an appropriate strategy to possibly remove the Disclaimer of Opinion and is in the interests of the Company and Shareholders as a whole. Other contingent plan to be taken in removing the Disclaimer of Opinion would be considered subject to the results of the Application from the Macau Court.

The Company has been closely monitoring the development of this matter and updating the progress in announcements and annual/interim reports when there is any significant development in respect of this matter.

Actual or potential impact of the modifications on the Company's financial positions

The Company has continually been discussing with the auditors, financial adviser and legal representatives on the development on Greek Mythology. Impairment losses of HK\$901.2 million have been recognized in 2017 to reflect the adverse impact of the operation of Greek Mythology.

The Company is not able to assess the carrying effect of such modifications on the financial statements at this stage, and is of the view that any further potential impact on the Group's financial position will depend on the outcome of the legal actions taken by the Company to regain possession of all books and records of Greek Mythology.

In addition, the audit committee is well aware of the Disclaimer of Opinion raised by the Company's auditors and also the action and plan taken by the Company as mentioned above to address such disclaimer opinion. The audit committee and the management of the Company are of the view that the appointment of Mr. Ng as the administrator of Greek Mythology is the most effective but time consuming way to access the financial information of Greek Mythology given its management are out of touch.

OUTLOOK

Persistence, patience and perspiration makes unbeatable combination of success. During the Year under Review, the Board believes that the enormous effort of the Company for these years to settle the lengthy dispute in relation to promissory notes has paid off. With the long-last gloominess set aside, and more encouragingly, the injection of projects and knowledge of new advanced technology during the Year under Review, the Company is more than equipped to set off to develop the existing and new business with full gear. The steps made during the Year under Review were strategic moves to not only diversify the income source of the Company, but also to tie up the various business of the Company, creating synergy effects with one another. The usage of blockchain technology, for example, is now beyond merely on digital currency but has been commonly applied to support peer-to-peer payment services and supply chain tracking and more. It is not surprising to apply the blockchain technology to support our business with the AR/VR.

Envision the flourishing of tourism in Cambodia, the Company sees it a strategic location to develop and expands its entertainment business in South East Asia and other parts of the world. Together with the business operation in Vanuatu, the Company had laid a solid foundation to explore business opportunities beyond Macau. Not only do these business operations open up new revenue streams to the Company, they help build various business networks as well as establish a brand name of the Company in ASEAN.

The Group has refined the business structure during the Year under Review to retain sufficient resources for development of the gaming business in Vanuatu and Cambodia and the new IT technologies and the Group will continue to keep pace with the market trends and take appropriate corporate actions for the sustainable development of the Company and create long term value for its shareholders and the investors.

Corporate Governance Report

The Group continues to commit itself to maintaining a high standard of corporate governance with emphases on enhancing transparency and accountability and assuring of good application of practices and procedures within the Group and enhancing performance thereby, augmenting shareholders' value and benefiting our stakeholders at large.

CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles of, and complied with all applicable code provisions as set out in the Corporate Governance Code (the "CG Code") in Appendix 14 to the Listing Rules throughout the year ended 31 March 2018 with the exception of certain deviations as further explained below.

Code provision A.2.1 of the CG Code provides that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

Mr. Ng Man Sun currently assumes the roles of both the chairman (the "Chairman") of the Board and chief executive officer (the "CEO") of the Company. The Board believes that the roles of Chairman and CEO performed by Mr. Ng provide the Group with strong and consistent leadership and are beneficial to the Group especially in planning and implementation of the Company's business strategies. The Board will regularly review effectiveness of such arrangement.

Code provision A.4.1 of the CG Code provides that non-executive directors should be appointed for a specific term, and subject to re-election.

None of the non-executive directors (the "Non-executive Directors") of the Company, being all existing independent non-executive directors (the "Independent Non-executive Directors", or "INEDs") of the Company, is appointed for a specific term. However, all INEDs are subject to retirement by rotation but eligible for re-election at least once every three years at annual general meeting (the "AGM") in accordance with the Bye-laws of the Company. The Company has also received the confirmation of independence from each INED and has grounds to believe that they are independent of the Company.

Code provision E.1.2 of the CG Code provides that the chairman of the board should attend the annual general meeting.

Due to other business commitments, Mr. Ng Man Sun, being the chairman of the Board, was unable to attend the AGM of the Company held on 30 August 2017. He had arranged Ms. Ng Wai Yee, another executive director (the "Executive Director") of the Company and who is very familiar with the Group's business and operations, to attend and chair the AGM.

Code provision A.6.7 of the CG Code provides that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders.

Due to other business commitments, Ms. Sie Nien Che, Celia, being an INED of the Company, did not attend the AGM of the Company held on 30 August 2017 and the special general meeting of the Company held on 15 September 2017.

The Company periodically reviews its corporate governance practices and policy to ensure that they continue to meet the requirements of the CG Code, and acknowledges the important role of the Board in providing effective leadership and direction to the Company's business, and ensuring transparency and accountability of the Company's operations.

As such, the Company considers that sufficient measures have been in place to ensure that the Company's corporate governance practices and policy are no less exacting than the code provisions.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its code of conduct for securities transactions by the Directors and has adopted written guidelines no less exacting than the Model Code for the relevant employees in respect of their dealings in the Company's securities.

Having made specific enquiries of all Directors, all Directors confirm that they have complied with the required standard as stated in the Model Code regarding securities transactions throughout the year ended 31 March 2018.

BOARD OF DIRECTORS

Responsibilities

The Board, led by the Chairman, Mr. Ng Man Sun, provides leadership, devises and approves policies, strategies and plans, and oversees their implementation to further the healthy growth of the Company in the interests of its shareholders. The day-to-day management, administration and operations of the Company and implementation of the Board's decisions are delegated to the CEO and the Executive Directors.

Board Diversity Policy

Recognizing and embracing the benefits of having a diverse member of the Board to uphold corporate governance, the Company announced the Board Diversity Policy to set out clear guidelines in designing the Board's composition, in terms of but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. The Board may seek to improve one or more aspects of its diversity at any given time, and measure its progress accordingly.

Currently, Mr. Ng Man Sun, Ms. Ng Wai Yee, Ms. Yeung Pui Han, Regina, Mr. Li Chi Fai and Ms. Sie Nien Che, Celia are the members of the Board. The Board is confident that its Directors will continue to work towards a common goal and vision for the best interests of the Group and its shareholders.

Board Composition

The Board currently consists of five members, including two Executive Directors, namely Mr. Ng Man Sun (the Chairman and CEO) and Ms. Ng Wai Yee; and three INEDs, namely Ms. Yeung Pui Han, Regina, Mr. Li Chi Fai and Ms. Sie Nien Che, Celia. Their biographical details are set out on pages 34 to 35 of this report and are posted on the Company's website. The list of Directors (by category) is also disclosed in all corporate communications issued by the Company from time to time pursuant to the Listing Rules.

Except that Ms. Ng Wai Yee is the daughter of Mr. Ng Man Sun, to the best knowledge of the Board, there is no financial, business, family or other material/relevant relationship between each Board member.

Chairman and Chief Executive Officer

The roles and responsibilities respectively of the Chairman and CEO are clearly defined and set out in writing, and are now both exercised by Mr. Ng Man Sun.

Corporate Governance Report

The Chairman provides leadership and is responsible for effective functioning of the Board in accordance with good corporate governance practices and standard. With the full support of the management of the Company, the Chairman is principally responsible for determining the overall strategy and corporate development and ensuring the business operations are properly monitored.

The CEO, with the full support of the management of the Company, focuses on implementing objectives, policies and strategies approved and delegated by the Board. He is in charge of the Company's day-to-day management and operations. He is also responsible for developing strategic plans and formulating the Company practices and procedures, business objectives, and risk assessment for the Board's approval.

The functions reserved to the Board and those delegated to the management have been formalized in writing and are periodically reviewed by the Board to ensure that they remain appropriate to the Company's needs.

Independence of Independent Non-executive Directors

Composition of the INEDs reflects the necessary balance of skills and varied business experiences of different geographical regions and independence in their decision making for effective and constructive contribution to the Board for governance of the Company. The Board currently has three INEDs representing more than one third of the Board and one of them possessing appropriate professional qualification in accounting or related financial management expertise.

The Company has received written annual confirmation of independence from each INED pursuant to Rule 3.13 of the Listing Rules. The Company considers all INEDs to be independent in accordance with the independence guidelines set out in the Listing Rules.

Board Meetings

All Directors have full and timely access to the management for any information to enable them to make informed decisions, as well as the advice and services of the company secretary (the "Company Secretary") of the Company with a view of ensuring that Board procedures and all applicable rules and regulations are followed. The Board has agreed procedures to enable each Director to seek independent professional advice in appropriate circumstances at the Company's expenses.

Corporate Governance Report

Each Director has given sufficient time and attention to the affairs of the Company. Owing to the Chairman's encouragement to the Directors to make full and active contribution to the affairs of the Board, a culture of openness and debate is developing among the Directors to ensure Board decisions fairly reflected consensus. Seventeen Board meetings and two general meetings of the Company were held during the year ended 31 March 2018 and the attendances of each Board member are set out below:

	Number of meetings attended/eligible to attend	
	Board meetings	General meetings
Executive Directors		
Mr. Ng Man Sun (<i>Chairman and CEO</i>)	5/17	0/2
Ms. Ng Wai Yee	17/17	2/2
Independent Non-executive Directors		
Ms. Yeung Pui Han, Regina	15/17	1/2
Mr. Li Chi Fai	14/17	2/2
Ms. Sie Nien Che, Celia	10/17	0/2

Board meeting schedules and draft agendas of each meeting are made available to the Directors in advance. Notice of each regular Board meeting is served to all Directors at least 14 days before the meeting. For other Board or Board committee meeting, reasonable notice is generally given. Board papers together with all adequate, accurate, appropriate, clear, complete and reliable information are sent to all Directors at least 3 days before each Board meeting or Board committee meeting or promptly upon request by the Directors to keep the Directors apprised of the latest developments and financial position of the Company. With the full support of the management of the Company, such Board papers and materials are provided in a timely manner and in a form and quality sufficient with appropriate explanation to enable the Board to make informed decisions.

The Company Secretary is responsible for keeping minutes of all Board meetings and Board committee meetings. Draft minutes are normally circulated to the Directors for comments within a reasonable time after each meeting and the final version is open for the Directors' inspection. According to the current Board practices, any material transaction, which involves a conflict of interests for a substantial shareholder or a Director, will be considered and dealt with by the Board at a duly convened Board meeting. The Company's Bye-laws also contain provisions requiring Director(s) to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Director(s) or any of his/her/their associates have a material interest.

The Company has arranged appropriate insurance cover in respect of possible legal action against their Directors and officers.

Corporate Governance Report

Appointment and re-election of Directors

The Company has established formal, considered and transparent procedures for the appointment of the Directors. The nomination committee (the "Nomination Committee") is responsible for considering the suitability of individual to act as a Director and to make recommendations to the Board on appointment or re-election of Directors.

All Directors entered into letters of appointment with the Company without specific term of office. However, their term of office each is the period up to his/her retirement by rotation or retirement, but eligible for re-election at general meetings of the Company in accordance with the Company's Bye-laws. In accordance with the Company's Bye-laws, the Company may from time to time in general meeting elect any person to be a Director to fill a casual vacancy or as an addition to the Board. The Directors shall have power from time to time to appoint any person as a Director either to fill a casual vacancy or, subject to the authorization by shareholders in general meeting, as an addition to the Board. Any Director so appointed shall hold office only until the next following general meeting (in the case of filling a casual vacancy) or until the next following AGM (in the case of an addition to the Board), and shall then be eligible for re-election at that meeting. At each AGM, one-third of the Directors for the time being shall retire from office by rotation provided that each Director shall be subject to retirement by rotation at least once every three years at the AGM.

Each Director has disclosed to the Company at the time of his/her appointment or election, and in a timely manner of any changes in number of offices held in public companies or organizations and other significant commitments. A list of the Directors identifying their roles and functions is available on the websites of Company and the Stock Exchange. The Directors and their biographical details as at the date of this report are set out on pages 34 to 35.

Directors' Training and Continuous Professional Development

Every new Director received a comprehensive, formal and tailored induction at the time of his/her appointment or election, so as to ensure that he/she has appropriate understanding of the operations and business of the Company, and that he/she is fully aware of his/her responsibilities under the Listing Rules and relevant other regulatory requirements and the Company's business and governance policies.

Directors are continually updated on the latest development of the Listing Rules, legal and other regulatory requirements to ensure compliance and upkeep of good corporate governance practice. The Company encourages all Directors to participate in continuous professional development to develop and refresh their knowledge and skill. During the Year under Review and up to the date of this report, all Directors have provided their records of training they received to the Company for record and a summary of which is as follows:

Forms of continuous training and professional development (Note)

Directors

Executive Directors

	A	B	C
Mr. Ng Man Sun	√	√	-
Ms. Ng Wai Yee	√	√	-

Independent Non-executive Directors

Ms. Yeung Pui Han, Regina	√	√	-
Mr. Li Chi Fai	√	√	√
Ms. Sie Nien Che, Celia	√	√	-

Corporate Governance Report

Notes:

- A. Reading new/journal/magazine/other reading materials and/or attending in-house training as regards legal and regulatory changes and matters of relevance in the discharge of the duties as a listed company director. Each of the Directors has attended the training session arranged by the Company on the Hong Kong Stock Exchange's (i) Financial Statements Review Programme; and (ii) Review of Disclosure in Issuers' Annual Reports to Monitor Rule Compliance.
- B. Reading memoranda issued or information and materials provided from time to time by the Company regarding the business of the Group, legal and regulatory changes and matters of relevance in the discharge of the duties as a listed company director.
- C. Participation in continuous professional training and seminars/conferences/courses/workshops on subjects relating to directors' duties, corporate governance and other matters of relevance.

BOARD COMMITTEES

Four committees, namely audit committee (the "Audit Committee"), compliance committee (the "Compliance Committee"), remuneration committee (the "Remuneration Committee") and the Nomination Committee were established under the Board to oversee their respective functions set out below, and to report to the Board on their decisions or recommendations. Each committee or each committee member is allowed to obtain independent professional advice and services at the Company's expenses.

Audit Committee

As at 31 March 2018 and up to the date of this report, the Audit Committee comprised three INEDs, namely Ms. Yeung Pui Han, Regina, Mr. Li Chi Fai and Ms. Sie Nien Che, Celia, and is chaired by Mr. Li Chi Fai who has substantial accounting and related financial management expertise.

The main duties of the Audit Committee are to review and monitor and provide supervision over the Company's financial reporting process, risk management and internal control system, perform corporate governance duties delegated by the Board and maintain an appropriate relationship with the Company's auditor. The roles and functions of the Audit Committee are clearly set out in terms of reference which are no less exacting than the CG Code and are available on the websites of the Company and the Stock Exchange.

Three Audit Committee meetings were held during the year ended 31 March 2018. The attendances of each Audit Committee member are set out as follows:

	Number of meetings attended/ eligible to attend
Independent Non-executive Directors	
Ms. Yeung Pui Han, Regina	3/3
Mr. Li Chi Fai	3/3
Ms. Sie Nien Che, Celia	3/3

Corporate Governance Report

The major works performed by the Audit Committee during the year and up to the date of this report include the following:

- reviewed and recommended for the Board's approval the draft audited consolidated financial statements of the Year under Review together with the auditor's report attached thereto and the draft announcement of the 2018 Annual Results, and the draft unaudited consolidated financial statements and announcement of the interim result for the six months ended 30 September 2017 (the "2017 Interim Results").
- reviewed tax issues, compliance and salient features of 2018 Annual Results and 2017 Interim Results.
- discussed with the auditor the nature and scope of the audit and reporting obligations.
- considered and recommended to the Board for the terms of engagement and fee proposals provided by the auditor.
- reviewed the appointment of the auditor.
- recommended to the Board for the proposal for the re-appointment of Elite Partners CPA Limited as the auditor of the Company at the forthcoming AGM of the Company.
- reviewed the appointment of the internal auditor and the internal audit plan.
- reviewed the effectiveness of the financial controls, risk management and internal control system of the Company.
- reviewed the Company's application of its policy and practices of corporate governance and disclosures in this report.
- reviewed the training and continuous professional development of the Directors and senior management.
- reviewed arrangements for employees of the Group to raise concerns about possible improprieties in financial reporting, internal control or other matters.

The chairman of the Audit Committee will report the findings and recommendations, if any, to the Board after each meeting. During the year ended 31 March 2018, the Board had no disagreement with the Audit Committee's view on the selection and appointment of the external auditor.

Compliance Committee

As at 31 March 2018 and up to the date of this report, the Compliance Committee comprised an Executive Director, namely Ms. Ng Wai Yee, an INED, namely Mr. Li Chi Fai, the Chief Financial Officer, Mr. Wong Sze Lok and the Company Secretary, Mr. Cheung Tai Chi, and is chaired by Ms. Ng Wai Yee.

The main duties of the Compliance Committee are to formulate, review, approve, and monitor the Company's policies and practices on compliance with legal and regulatory requirements, supervise the implementation and monitor the efficiency and effectiveness of the compliance management system. The roles and functions of the Compliance Committee are clearly set out in terms of reference which are no less exacting than the CG Code and are available on the websites of the Company and the Stock Exchange.

Corporate Governance Report

Two Compliance Committee meetings were held during the year ended 31 March 2018. The attendances of each Compliance Committee member are set out as follows:

	Number of meetings attended/ eligible to attend
Executive Director	
Ms. Ng Wai Yee	2/2
Independent Non-executive Directors	
Mr. Li Chi Fai	0/2
Mr. Wong Sze Lok (<i>Chief Financial Officer</i>)	2/2
Mr. Cheung Tai Chi (<i>Company Secretary</i>)	2/2

The major works performed by the Compliance Committee during the year and up to the date of this report include the following:

- reviewed the Company's compliance with the CG code and disclosure in the CG Report.
- reviewed the Company's compliance with legal and regulatory requirements.
- monitored the training and continuous professional development of the Directors and senior management.
- prepared and submitted summary reports to the Board on the overall compliance performance and corporate governance practices of the Company.

Remuneration Committee

As at 31 March 2018 and up to the date of this report, the Remuneration Committee comprised an Executive Director, namely Ms. Ng Wai Yee, and two INEDs, namely Ms. Yeung Pui Han, Regina and Ms. Sie Nien Che, Celia, and is chaired by Ms. Yeung Pui Han, Regina.

The main duties of the Remuneration Committee are to review the Company's policy on remuneration structure, approve the management's remuneration by reference to corporate goals and objectives of the Company, recommend to the Board on the remuneration packages of the INEDs, review and determine the remuneration packages for the Executive Directors with delegated responsibility according to the model set out in code provision B.1.2(c)(i) of the CG Code as adopted by the terms of reference of the Remuneration Committee. No Director will determine his/her own remuneration. The roles and functions of the Remuneration Committee are clearly set out in the terms of reference which are no less exacting than the CG Code and are available on the websites of the Company and the Stock Exchange.

Corporate Governance Report

Two Remuneration Committee meetings were held during the year ended 31 March 2018. The attendances of each Remuneration Committee member are set out below:

	Number of meetings attended/ eligible to attend
Executive Director	
Ms. Ng Wai Yee	2/2
Independent Non-executive Directors	
Ms. Yeung Pui Han, Regina	2/2
Ms. Sie Nien Che, Celia	1/2

The major works performed by the Remuneration Committee during the year and up to the date of this report include the following:

- recommended to the Board on the remuneration packages of the INEDs.
- reviewed the terms of services contracts of all Directors.
- reviewed and approved the remuneration package of each Executive Director and senior management including benefit in kind, pension right and bonus payment.
- determined remuneration proposals of the management linked with the Company's performance towards its goals and objectives and individual performance.
- considered the Group's position relative to comparable companies, time commitment and responsibilities and employment conditions in terms of remuneration packages and salary payments.

Nomination Committee

As at 31 March 2018 and up to the date of this report, the Nomination Committee comprised an Executive Director, namely Mr. Ng Man Sun, and two INEDs, namely Ms. Yeung Pui Han, Regina and Ms. Sie Nien Che, Celia, and is chaired by Mr. Ng Man Sun.

The main duties of the Nomination Committee are to review the structure, size and composition of the Board, make recommendations on the selection of individual to act as a Director and on appointment or re-election of Directors to complement the corporate strategy of the Company, and assess the independence of the INEDs. The roles and functions of the Nomination Committee are clearly set out in terms of reference which are no less exacting than the CG Code and are available on the websites of the Company and the Stock Exchange.

Corporate Governance Report

One Nomination Committee meeting was held during the year ended 31 March 2018. The attendances of each Nomination Committee member are set out below:

	Number of meetings attended/ eligible to attend
Executive Director	
Mr. Ng Man Sun	0/1
Independent Non-executive Directors	
Ms. Yeung Pui Han, Regina	1/1
Ms. Sie Nien Che, Celia	1/1

The Company continued to monitor the board composition in order to maintain an appropriate mix and balance of talent, skills, experience and background on the Board. The major works performed by the Nomination Committee during the year and up to the date of this report include the following:

- reviewed the structure, size and composition of the Board.
- recommended to the Board on re-election of the Directors.
- assessed the independence of INEDs.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The remuneration paid to and/or entitled by each of the Directors and senior management for the Year under Review is set out in notes 10 and 11 to the consolidated financial statements.

AUDITOR'S REMUNERATION

For the year ended 31 March 2018, the fees paid and payable to Elite Partners CPA Limited in respect of audit and non-audit services were HK\$930,000 and HK\$392,000 respectively.

Corporate Governance Report

ACKNOWLEDGEMENT OF RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledged their responsibilities for preparing the consolidated financial statements of the Group and present the consolidated financial statements in a balanced, clear and understandable assessment in its annual and interim reports. The Directors have been implementing various measures to improve the Group's financial position by exploring new business opportunities and strengthening cash liquidity of the Company. In preparing the consolidated financial statements for the Year under Review, the Directors have:

- based on a going concern basis;
- selected suitable accounting policies and applied them consistently; and
- made judgments and estimates that were prudent, fair and reasonable to give a true and fair view of the financial results of the Company and the Group.

The statement of the auditor of the Company about its reporting responsibilities on the consolidated financial statements is set out in the Independent Auditor's Report on pages 40 to 42.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is overall responsible for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, and ensuring that the Group established and maintained appropriate and effective risk management and internal control systems.

The Audit Committee reviews the risk management and internal controls that are significant to the Group on an on-going basis. The Audit Committee would consider the adequacy of resource, qualifications and experience and training of staff and external advisor of the Group's accounting, internal audit and financial reporting function.

The management of the Group is responsible for designing, maintaining, implementing and monitoring of the risk management and internal control system to ensure adequate control in place to safeguard the Group's assets and stakeholder's interest.

The Group has established risk management procedures to address and handle the all significant risks associate with the business of the Group. The Board would perform annual review on any significant change of the business environment and establish procedures to response the risks result from significant change of business environment. The risk management and internal control systems are designed to mitigate the potential losses of the business.

The management would identify the risks associate with the business of the Group by considering both internal and external factors and events which include political, economic, technology, environmental, social and staff. Each of risks has been assessed and prioritised based on their relevant impact and occurrence opportunity. The relevant risk management strategy would be applied to each type of risks according to the assessment results, type of risk management strategy has been listed as follow:

- Risk retention and reduction: accept the impact of risk or undertake actions by the Group to reduce the impact of the risks;
- Risk avoidance: change business process or objective so as to avoid the risk;
- Risk sharing and diversification: diversify the effect of the risk or allocate to different location or product or market;
- Risk transfer: transfer ownership and liability to a third party.

The internal control systems are designed and implemented to reduce the risks associated with the business accepted by the Group and minimise the adverse impact results from the risks. The risk management and internal control system are design to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Audit Committee and the Board, having considered the availability of internal resources and the qualification requirement of internal audit, agreed to engage an external advisory firm to undertake the internal audit function to ensure the effectiveness and efficiency of the risk management and internal control system of the Group. No significant deficiency and weakness on the internal control system has been identified by the external advisory firm for the year ended 31 March 2018.

The Board considered that, for the year ended 31 March 2018, the risk management and internal control system and procedures of the Group, covering all material controls including financial, operational and compliance controls and risk management functions were reasonably effective and adequate.

COMPANY SECRETARY

Mr. Cheung Tai Chi has professional qualification and extensive experiences to discharge his duties as the Company Secretary of the Company. He reports to the Chairman and CEO and has day-to-day knowledge of the Company's affairs. He is mainly responsible for advising the Board on governance matters, promoting Directors' participation in continuing professional development training, ensuring good flow of information among the Board members and the Board policy and procedures are followed.

During the year, Mr. Cheung has attended no less than 15 hours of professional training to refresh and develop his skills and knowledge.

COMMUNICATION WITH SHAREHOLDERS

The CG Code requires the Company to have an ongoing dialogue with shareholders and it is the responsibility of the Board as a whole to ensure that satisfactory dialogue takes place. The Company's AGM provides a useful forum for the shareholders to exchange views with the Board and the Company welcomes the shareholders to attend the AGM. The Directors and representative(s) of the auditor of the Company will attend the AGM and be available to answer shareholders' questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor independence.

Corporate Governance Report

Separate resolutions are proposed at general meetings on each substantially separate issue, including election or re-election of individual Directors at the AGM, and all resolutions put to the vote of a general meeting were taken by way of a poll. The results of the poll were published on the websites of the Company and the Stock Exchange respectively.

Another communication channel between the Company and its shareholders is through the publication of its interim and annual reports and other publications of the Company from time to time. The Company's branch share registrar serves the shareholders with respect to all share registration matters.

SHAREHOLDERS' RIGHTS

Procedures for Shareholders to Convene Special General Meeting

Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary of the Company, to require a special general meeting (the "SGM") to be called by the Board for the transaction of any business specified in such requisition; and such SGM shall be held within two months after the deposit of such requisition, provided that such written requisition is verified to be valid, proper and in order.

The requisition must state the purposes of the SGM, and must be signed by the requisitionists and deposited at the Company's head office and principal place of business in Hong Kong and may consist of several documents in like form each signed by one or more requisitionists.

If within twenty-one days of such deposit the Board fails to proceed to convene such SGM, the requisitionists themselves, or any of them representing more than one half of the total voting rights of all of them, may convene a SGM, but the SGM so convened shall not be held after the expiration of three months from the said date.

Shareholders' Enquires to the Board

Investors or shareholders are welcomed to contact the Group's investor relations consultant for any enquires. Their contact details are as follows:

Get Like Financial Communications Limited
Tel: (852) 3567 8335

Details of the poll voting procedures and rights of shareholders to demand a poll are included in the circular to shareholders dispatched together with the annual report. The circular also includes details of the procedures and the timetable of proposing appropriate candidates to stand for election as Directors at an AGM, and the requirements of relevant details of proposed resolutions, including biographies of each candidate standing for election and whether such candidates are considered to be independent.

INVESTOR RELATIONS

The Group believes that maintaining active communication and operational transparency is vital to building good investor relations. During the year, the Group has retained a professional public relation company to maintain continuous communication with various investors and held meetings regularly with analysts and institutional investors from around the world, if appropriate.

There were no significant changes in the constitutional documents of the Company during the year ended 31 March 2018.

The Directors present their report and the audited consolidated financial statements of the Company and its subsidiaries for the year ended 31 March 2018.

PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holdings. The principal activities of its subsidiaries and associate during the year are set out in notes 36 and 18 to the consolidated financial statements.

An analysis of the Group's performance for the year by operating segments is set out in note 4 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 March 2018 are set out in the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income on pages 43 to 44.

The Directors do not recommend the payment of a dividend for the year ended 31 March 2018 (2017: Nil).

SUMMARY FINANCIAL INFORMATION

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 124.

BUSINESS REVIEW

The business review of the Group for the Year under Review is set out in the Management Discussion and Analysis on pages 6 to 15 of this report, which forms part of this report, and the paragraphs below.

Environmental Policy

The Group has devoted its greatest efforts in promoting conservation and environmental sustainability. Our environmental strategy is to achieve a balance between the quality and efficiency of our services and the minimization of greenhouse gas emissions and environmental degradation. Accordingly, Energy efficient lightings have been installed in the office to reduce energy consumption and the Group has also continuously monitored its waste and paper consumption such as use of recycled paper and double-sided printing.

Details of the environmental, social and governance practices adopted by the Group are set out in the Environmental, Social and Governance Report which will be published as a separate report on the websites of the Company and the Stock Exchange no later than three months after the publication of this report.

Compliance with Laws and Regulations

Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations. The work of our Board and the Board committees, in particular the Compliance Committee, contributes to our commitment to compliance efforts. During the Year under Review, the Company was not aware of any non-compliance with any relevant laws and regulations that had a significant impact on it.

Relationship with Employees

The Group actively manages its employee relations on which its success depends. The Group believes that developing superior human resources with knowledge, skill and experience is essential to the achievement of its objectives. Specifically, the Group provides in-house training, subsidy for attending seminars and encourages sharing of ideas through employees' meeting. These training and development enable the Group to enhance improvement in the knowledge and skills needed from the employees as they become one of the key strengths of the Group.

Relationship with Customers and Suppliers

The Directors believe that maintaining good relationships with customers has been one of the critical reasons for the Group's success. Our business model is to maintain and build on our strong relationships within our client base. To deliver the best products and experiences to our valued customers, we engaged with them by collecting their views and assessing their expectations through a wide range of communication channels. The Group is constantly looking ways to improve customer relations through enhanced services.

The Group has maintained good relationship with the suppliers to ensure their continued support to the Group in the foreseeable future.

EVENTS AFTER THE REPORTING PERIOD

- 1) On 30 April 2018, Digital Zone Global Limited, a wholly-owned subsidiary of the Company and Bole International Investment Co., Ltd., an independent third party of the Group, entered into an agreement to dispose of the Mobile Game Apps at a consideration of HK\$30,000,000. Up to the date of the approval of the consolidated financial statements, the said disposal has not completed.
- 2) On 29 December 2017, the Company entered into the Deed of Settlement (the "Deed") in relation to the settlement of the disputes on the HK\$190 million promissory notes (the "PNs") with Ms. Lee and Mr. Wu (collectively the "Holders"), pursuant to which the Company has agreed with the Holders on a settlement proposal in respect of the PNs concerned. The Company and the Holders agreed that on the seventh business day after the Company has obtained the approvals from the independent shareholders and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "First Payment Date"):
 - i) transferring and assigning a total sum of HK\$104,500,000 of the PNs in favour of Mr. Ng Man Sun ("Mr. Ng") or such other person or entity as the Company shall nominate; and
 - ii) paying a total sum of HK\$85,500,000 to the Holders in the following manner:
 - (a) the sum of HK\$5,500,000 and which shall be paid to the solicitors of the Holders;
 - (b) the sum of HK\$20,000,000 by the issuance of promissory notes in favour of the Holders and with a maturity date falling on the last business day of the period of nine calendar months after the First Payment Date (the "Second Payment Date");
 - (c) the sum of HK\$30,000,000 by the issuance of promissory notes in favour of the Holders and with a maturity date falling on the last business day of the period of nine calendar months after the Second Payment Date (the "Third Payment Date"); and
 - (d) the balance of HK\$30,000,000 to be satisfied by the issuance by the Company of a convertible bond in favour of the Holders (the "Convertible Bonds") with the proposed conversion price of the Convertible Bonds at HK\$0.249 per share under specific mandate. In case the Holders intend to sell, transfer, assign or dispose of the Convertible Bonds or any part thereof to a third party, the Holders shall first serve a written notice to Mr. Ng, with a copy to the Company offering to sell to Mr. Ng.

In order to secure the payment obligations by the Company to the Holders, the Company delivered an executed personal guarantee given by Mr. Ng to guarantee the payment of the Company's payment obligations under the Deed in favour of the Holders.

Upon the cancellation of the PNs, the assignment of the aggregate sum of HK\$104,500,000 to Mr. Ng from the Holders will be settled by the Company by issuing the promissory notes ("Ng PN") to Mr. Ng.

On 1 March 2018, the Company had entered into a second deed of settlement (the "Second Deed") with Mr. Ng, pursuant to which the outstanding amount under Ng PN will be settled by issuing the convertible bonds (the "Second Convertible Bonds") by the Company to Mr. Ng at a conversion price of HK\$0.30 per share.

Further details of the abovementioned matters are set out in the circular of the Company dated 31 May 2018.

The abovementioned deeds and issuance of convertible bonds have been approved by the independent shareholders at a special general meeting of the Company held on 19 June 2018. Up to the date of the approval of the consolidated financial statements, the Company has just obtained approval from the listing committee of the Stock Exchange on the listing of the conversion shares.

FIXED ASSETS

Details of the movements during the year in the property, plant and equipment of the Group are set out in note 15 to the consolidated financial statements.

SUBSIDIARIES AND ASSOCIATE

Details of the Company's subsidiaries and associate as at 31 March 2018 are set out in notes 36 and 18 respectively to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in the Company's share capital during the year are set out in note 26 to the consolidated financial statements.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "2012 Scheme") on 12 September 2012 which was valid and effective for 10 years from its date of adoption.

Purpose

The 2012 Scheme is for the purpose of recognising eligible persons as incentives and rewards for their contribution to the Group.

Eligible Persons

Under the 2012 Scheme, eligible persons include any directors, officers, employees of the Company, any of its subsidiaries or any entity (the "Invested Entity") in which the Group holds any equity interests, suppliers and customers of any member of the Group or any Invested Entity, and shareholders of any members of the Group or the Invested Entity or any other person who has contributed to the development, growth or benefit of the Group at the discretion of the Board.

Total Number of Share Option Available for Issue

The maximum number of shares in respect of which options may be granted under the 2012 Schemes will not exceed 10% of the issued share capital of the Company at the date of adoption of the 2012 Scheme; and the maximum number of shares in respect of which options may be granted under all existing schemes will not exceed 30% of the maximum number of shares in issue from time to time.

Directors' Report

As at the date of approval of the 2012 Scheme, the total number of shares of the Company which may be allotted and issued upon the exercise of all options to be granted under the 2012 Scheme must not exceed 415,265,572 shares (25,773,458 shares after share consolidation and open offer), representing approximately 10% of the shares in issue as at the date of approval of the 2012 Scheme at the special general meeting on 12 September 2012, and after the special general meeting on 27 March 2013 approving share consolidation of every 20 shares of the Company of HK\$0.01 each consolidated into 1 new share of the Company of HK\$0.20 each and the completion of the open offer on 16 May 2016 on the basis of one offer share for every two existing shares.

At the annual general meeting held on 9 August 2016, shareholders have approved to refresh the general mandate limit that the total number of shares which may be issued upon exercise of all options to be granted under the 2012 Scheme must not exceed 10% of the shares of the Company in issue on the date of that annual general meeting. As at the date of this report, a total of 51,319,917 options to subscribe for a total of 51,319,917 shares, representing 10% of the total number of shares in issue as at the annual general meeting on 9 August 2016, were approved to be granted.

Maximum Entitlement of Each Eligible Participant

The maximum entitlement of each eligible participant is that the total number of shares issued and to be issued upon exercise of the outstanding options granted and to be granted to such eligible participant (including both exercised, cancelled and outstanding options) under the 2012 Scheme and other scheme(s) of the Group in any 12-month period must not exceed 1% of the issued share capital of the Company at the date of grant.

Option Period

An option may be exercised in whole or in part in accordance with the respective terms of the 2012 Scheme during a period notified or to be notified by the Board.

Minimum Period for which an Option must be Held Before it is Exercised

The period within which an option may be exercised under the 2012 Scheme is determined by the Board at its absolute discretion, provided that such period is consistent with any other terms and condition of the 2012 Scheme.

Payment on Acceptance of the Option

A consideration of HK\$1 is payable upon acceptance within 28 days from the date of the offer of grant of the option under the 2012 Scheme.

Basis of Determining the Subscription Price

The subscription price for share under the 2012 Scheme shall be at the absolute discretion of the Board, provided that it must be at least the highest of (i) the closing price of the shares on the Stock Exchange on the offer day; and (ii) the average of the closing prices of the shares on the Stock Exchange on the five trading days immediately preceding the offer date; and (iii) or the nominal value of the shares.

The Remaining Life of the Share Option Scheme

The 2012 Scheme remains in force for 10 years from the date of its adoption on 12 September 2012, unless otherwise terminated, cancelled or amended.

Details of the 2012 Scheme are set out in note 27 to the consolidated financial statements.

The movements of the Company's share options outstanding under the 2012 Scheme during the year ended 31 March 2018 are as follows:

	Date of Grant (day/month/year)	No. of share options ('000)			As at 31 March 2018 (Note 2)	Exercise period (day/month/year)	Adjusted exercise price HK\$ (Note 2)	
		As at 1 April 2017 (Note 2)	Granted	Exercised				
Directors								
Mr. Ng Man Sun	05/02/2013 (Note 1) 03/03/2014 10/03/2015 25/04/2016 01/12/2017	248 248 248 248 -	- - - - 6,100	- - - [248] -	- - - - -	248 248 248 - 6,100	05/02/2013-04/02/2023 03/03/2014-02/03/2024 10/03/2015-09/03/2025 25/04/2016-24/04/2026 01/12/2017-30/11/2027	1.241 1.345 0.701 0.370 0.280
Ms. Ng Wai Yee	05/02/2013 (Note 1) 03/03/2014 10/03/2015 25/04/2016 01/12/2017	248 248 248 248 -	- - - - 6,100	- - - - -	- - - - -	248 248 248 248 6,100	05/02/2013-04/02/2023 03/03/2014-02/03/2024 10/03/2015-09/03/2025 25/04/2016-24/04/2026 01/12/2017-30/11/2027	1.241 1.345 0.701 0.370 0.280
Ms. Yeung Pui Han, Regina	05/02/2013 (Note 1) 03/03/2014 10/03/2015 25/04/2016 01/12/2017	248 248 248 248 -	- - - - 610	- - - - -	- - - - -	248 248 248 248 610	05/02/2013-04/02/2023 03/03/2014-02/03/2024 10/03/2015-09/03/2025 25/04/2016-24/04/2026 01/12/2017-30/11/2027	1.241 1.345 0.701 0.370 0.280
Mr. Li Chi Fai	03/03/2014 10/03/2015 25/04/2016 01/12/2017	248 248 248 248	- - - -	- - - -	- - - -	248 248 248 610	03/03/2014-02/03/2024 10/03/2015-09/03/2025 25/04/2016-24/04/2026 01/12/2017-30/11/2027	1.345 0.701 0.370 0.280
Ms. Sie Nien Che, Celia	03/03/2014 25/04/2016 01/12/2017	248 248 -	- - 610	- - -	- - -	248 248 610	03/03/2014-02/03/2024 25/04/2016-24/04/2026 01/12/2017-30/11/2027	1.345 0.370 0.280
Eligible employees	05/02/2013 (Note 1) 03/03/2014 10/03/2015 25/04/2016 01/12/2017	1,553 2,607 2,607 2,607 -	- - - - 6,200	- - - [1,000] -	- [248] - - -	1,553 2,359 2,607 1,607 6,200	05/02/2013-04/02/2023 03/03/2014-02/03/2024 10/03/2015-09/03/2025 25/04/2016-24/04/2026 01/12/2017-30/11/2027	1.241 1.345 0.701 0.370 0.280
Service providers	05/02/2013 (Note 1) 03/03/2014 10/03/2015 25/04/2016 01/12/2017 18/01/2018 18/01/2018	2,483 2,483 1,242 2,483 -	- - - - 6,100 2,000 1,000	- - - - -	- - - - -	2,483 2,483 1,242 1,607 6,100 2,000 1,000	05/02/2013-04/02/2023 03/03/2014-02/03/2024 10/03/2015-09/03/2025 25/04/2016-24/04/2026 01/12/2017-30/11/2027 18/01/2018-17/01/2019 18/01/2018-17/01/2019	1.241 1.345 0.701 0.370 0.280 0.365 0.600
In aggregate		22,281	29,330	(3,731)	[248]	47,632	-	

Notes:

- The exercise price of the share options has been changed from HK\$0.077 to HK\$1.540 as a result of the share consolidation passed by the shareholders at a special general meeting of the Company held on 27 March 2013, whereby every 20 shares of the Company of HK\$0.01 each were consolidated into 1 new share of the company of HK\$0.20 each. Pursuant to the open offer of the Company completed on 16 May 2016, the number of share options were adjusted and the exercise price of the share options was also adjusted from HK\$1.540 to HK\$1.241.

Directors' Report

2. Pursuant to the open offer of the Company completed on 16 May 2016, the number of share options were adjusted and the exercise prices of the share options granted on 5 February 2013, 3 March 2014, 10 March 2015 and 25 April 2016 were also adjusted from HK\$1.540 to HK\$1.241, from HK\$1.670 to HK\$1.345, from HK\$0.870 to HK\$0.701 and from HK\$0.459 to HK\$0.370 respectively.
3. At the annual general meeting of the Company held on 9 August 2016, shareholders have approved to refresh the general mandate limit that the total number of shares which may be issued upon exercise of all options to be granted under the 2012 Scheme must not exceed 10% of the shares of the Company in issue on the date of that annual general meeting.

RESERVES

Details of the movements in the reserves of the Group are set out in the consolidated statement of changes in equity on page 47.

DISTRIBUTABLE RESERVES

As at 31 March 2018, in the opinion of the Directors of the Company, the reserves of the Company available for distribution to shareholders is Nil (2017: Nil).

DIRECTORS

The Directors during the year and up to the date of this report were:

Executive Directors

Mr. Ng Man Sun (*Chairman and Chief Executive Officer*)
Ms. Ng Wai Yee

Independent Non-executive Directors

Ms. Yeung Pui Han, Regina
Mr. Li Chi Fai
Ms. Sie Nien Che, Celia

In accordance with the provisions of the Company's Bye-laws, Ms. Yeung Pui Han, Regina and Ms. Sie Nien Che, Celia retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Ng Man Sun, aged 71, also known as Ng Wai, has been elected as an Executive Director of the Company and appointed as the Chairman and Chief Executive Officer of the Company since 12 September 2012. He is a shareholder of the Company and father of Ms. Ng Wai Yee, an Executive Director of the Company. Mr. Ng is well-known amongst the Macau casino business and is the founding chairman of the Association of Casino intermediaries of Macau.

Ms. Ng Wai Yee, aged 44, has been elected as an Executive Director of the Company since 12 September 2012. She is the daughter of Mr. Ng Man Sun, the Chairman, Chief Executive Officer and a substantial shareholder of the Company. Ms. Ng is a director of Diamond Square Investment & Management Company Limited (鑽石廣場投資管理有限公司) which assists in the management of Mr. Ng's business.

Independent Non-executive Directors

Ms. Yeung Pui Han, Regina, aged 61, has been elected as an Independent Non-executive Director of the Company since 12 September 2012. Ms. Yeung is a merchant in Canada in respect of high end leisure and entertainment business. She has been appointed as the President of Tradewinds Production Limited, a Canadian corporation, since 2009.

Mr. Li Chi Fai, aged 51, has been appointed as an Independent Non-executive Director of the Company since 22 February 2013. Mr. Li is a member of Hong Kong Institute of Certified Public Accountants and CPA Australia and holds a Bachelor of Economics degree from Monash University, Australia. He has more than 20 years of experiences in financial auditing and accounting. Mr. Li is currently a director of SKD Corporate Advisory Pty. Ltd. which provides accounting, tax, corporate compliance and secretarial services in Australia. Before, he has been chief financial officer and company secretary of a number of Main Board issuers of the Stock Exchange.

Ms. Sie Nien Che, Celia, aged 44, has been appointed as an Independent Non-executive Director of the Company since 22 February 2013. Ms. Sie is the founder and chief executive officer of JACSO Group, a well known entertainment based group of companies in Hong Kong. Ms. Sie is a holder of bachelor degree in Arts from the University of Hong Kong and a member of Hong Kong United Youth Association.

Chief Financial Officer

Mr. Wong Sze Lok, aged 45, has extensive professional experience in auditing and corporate governance. Before joining the Company, he had held senior positions at an international professional accounting firm and several companies listed in Hong Kong and the United States. Mr. Wong holds a bachelor degree in Accountancy from Hong Kong Polytechnic University and a master degree in management from Macquarie Graduate School of Management. He is a fellow member of Hong Kong Institute of Certified Public Accountants; a member of Institute of Chartered Accountants in England & Wales and a Certified Information Systems Auditor.

Company Secretary

Mr. Cheung Tai Chi, aged 47, has extensive professional experience in financial management, accounting and auditing. He is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants.

DIRECTORS' SERVICE CONTRACTS

Each of Mr. Ng Man Sun, Ms. Ng Wai Yee, Ms. Yeung Pui Han, Regina, Mr. Li Chi Fai, Ms. Sie Nien Che, Celia has entered into a letter of appointment with the Company without specific term of office and may be terminated by either party by written notice of not less than three months.

Save as disclosed above, no Director who is proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries, which is not determinable within one year without payment of compensation, other than statutory obligations.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No transactions, arrangements and contracts of significance in relation to the Group's business, to which the Company or its subsidiaries was a party and in which a Director or his or her connected entity has or had a material beneficial interest, whether directly or indirectly, subsisted at 31 March 2018 or at any time during the Year under Review.

Directors' Report

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the date of this report, none of the Directors has any interest in a business which causes or may cause a significant competition with the business of the Company and any other conflicts of interest which any such person has or may have with the Company.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

Save as disclosed below, as at 31 March 2018, none of the Directors and chief executive of the Company and their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register(s) and kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code set out in Appendix 10 to the Listing Rules.

Long Position in shares and underlying shares of the Company

Name of Directors	Capacity	Number of shares held	Number of Underlying shares held	Total	Approximate percentage of issued share capital
Mr. Ng Man Sun	Beneficial owner Interest in a controlled corporation (Note 2)	57,161,260 307,366	6,844,780 (Note 1) -	64,006,040 307,366	7.85% 0.04%
	Total	57,468,626	6,844,780 (Note 1)	64,313,406	7.89%
Ms. Ng Wai Yee	Beneficial owner	-	7,093,040 (Note 1)	7,093,040	0.87%
Ms. Yeung Pui Han, Regina	Beneficial owner	-	1,603,040 (Note 1)	1,603,040	0.20%
Mr. Li Chi Fai	Beneficial owner	-	1,354,780 (Note 1)	1,354,780	0.17%
Ms. Sie Nien Che, Celia	Beneficial owner	300,000	1,106,520 (Note 1)	1,406,520	0.17%

Notes:

1. These interests represent the number of underlying shares in respect of the 2012 Scheme, the details of which are set out in the section headed "SHARE OPTION SCHEME" of the Directors' Report.
2. For 307,366 shares being held by East Legend Holdings Limited ("East Legend"), Mr. Ng Man Sun is interested in the entire issued share capital of East Legend and he is deemed to be interested in the 307,366 Shares held by East Legend.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2018, other than interests as disclosed above in respect of Mr. Ng Man Sun as Director, the Chairman and CEO, Ms. Ng Wai Yee, Ms. Yeung Pui Han, Regina, Mr. Li Chi Fai and Ms. Sie Nien Che, Celia as Directors, the following persons had interests or short positions in the shares and underlying shares of the Company as recorded in the register(s) required to be kept under Section 336 of the SFO.

Name	Capacity	Number of shares held	Approximate percentage of issued share capital
Mr. Huang Wei Qiang	Beneficial Owner	86,900,000	10.66%

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under sections headed "DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES" and "SHARE OPTION SCHEME" above, at no time during the year was the Company, or any of its subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate and neither the Directors nor any of their spouses or children under 18 years of age, had any right to subscribe for shares or debt securities of the Company, or had exercised any such rights during the Year under Review.

PERMITTED INDEMNITY PROVISION

Pursuant to the Company's Bye-laws, the Directors, secretary and other officers and every auditor for the time being of the Company shall be entitled to be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, shall or may incur or sustain by or by reasons of any act done, concurred in or omitted in or about the execution of their duties in their respective offices or otherwise in relation thereto.

The Company has taken out insurance against all losses and liabilities associated with defending any proceedings which may be brought against Directors and other officers of the Company.

MANAGEMENT CONTRACTS

Save for service contracts, no contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or subsisting during the year ended 31 March 2018.

EQUITY-LINKED AGREEMENTS

Save for disclosed in the sections headed "FINANCIAL REVIEW" and "BUSINESS REVIEW" in the Management Discussion and Analysis on pages 6 to 15 of this report and the section headed "SHARE OPTION SCHEME" on pages 31 to 34 of this report, no equity-linked agreement that will or may result in the Company issuing shares or no agreement that requires the Company to enter into an agreement that will or may result in the Company issuing shares were entered into by the Company during the year ended 31 March 2018 or subsisted at the end of the financial year.

RETIREMENT BENEFIT SCHEMES

Details of the retirement benefit schemes of the Group and the employees' costs charged to the consolidated statement of profit or loss for the Year under Review are set out in note 12 to the consolidated financial statements.

EMPLOYMENT AND REMUNERATION POLICY

As at 31 March 2018, the Group employed permanent employees in Hong Kong and Macau. The Group is aware of the importance of human resources and is dedicated to retaining competent and talented employees by offering them competitive remuneration packages. Their salaries and bonuses were determined by reference to their duties, work experience, performance and prevailing market practices. The Group also participates in the Mandatory Provident Fund scheme in Hong Kong, and provides employees with medical insurance coverage. A share option scheme is in place to reward individual employees for their outstanding performance and contribution to the success of the Group.

PROFIT GUARANTEE IN RELATION TO THE ACQUISITION OF 100% OF THE ISSUED SHARE CAPITAL OF EXPLICITLY GRAND INVESTMENTS LIMITED

Digital Zone Global Limited, a wholly-owned subsidiary of the Company, as purchaser, entered into a sale and purchase agreement on 18 July 2017 (the "Sale and Purchase Agreement") and a supplemental agreement on 15 August 2017 (the "Supplemental Agreement") with Gorgeous Smart Global Investment Limited and New Sphere enterprise Inc. (collectively the "Vendors"), in relation to the acquisition of 100% of the issued share capital of Explicitly Grand Investments Limited (together with its subsidiaries, the "Explicitly Grand Group").

Pursuant to the Supplemental Agreement, the Vendors undertake and guarantee to the Company that (i) the net profit after taxation of the Explicitly Grand Group and excluding extra-ordinary items, one-off items, any amounts received or written back for debt or any other provisions for the year ending 31 March 2018 will be no less than HK\$4.91 million in accordance with generally accepted accounting principles in Hong Kong (the "2018 Guaranteed Profit"), and the 2018 Guaranteed Profit shall be determined according to the audited consolidated financial statements of the Explicitly Grand Group audited by the Company's auditor; and (ii) the aggregate value of the legally-binding contracts the Explicitly Grand Group entered into during the period from 1 April 2018 to 31 March 2019 will not be less than HK\$6 million (the "2019 Guaranteed Performance") which shall be verified by the Company's legal advisor.

Based on the audited consolidated financial statements of the Explicitly Grand Group, actual profit for the financial year ended 31 March 2018 was approximately HK\$5.67 million. Therefore, the 2018 Guaranteed Profit had been fulfilled. The Company will publish announcements in due course to inform the Shareholders whether the Explicitly Grand Group has achieved the 2019 Guaranteed Performance.

PROMISSORY NOTES

Details of the promissory notes issued by the Company are set out in note 24 to the consolidated financial statements.

RELATED PARTY TRANSACTIONS

Details of material related party transactions of the Group are set out in note 32 to the consolidated financial statements.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the financial year ended 31 March 2018.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, there is sufficiency of public float of the Company's securities as required under the Listing Rules.

CORPORATE GOVERNANCE

Throughout the year, the Company has complied with all the code provisions contained in Appendix 14 to the Listing Rules, saved for certain deviations as explained in the Corporate Governance Report. Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 16 to 28 of this report.

CONFIRMATION OF INDEPENDENCE

The Company has received written confirmation in respect of independence from each of the current Independent Non-executive Directors of the Company in compliance with Rule 3.13 of the Listing Rules, thus, the Company considers that each of them to be independent.

AUDITOR

Elite Partners CPA Limited ("Elite Partners") shall retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of Elite Partners as the auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Ng Man Sun
Chairman

Hong Kong, 28 June 2018

Independent Auditor's Report



TO THE MEMBERS OF AMAX INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of Amax International Holdings Limited (the "Company") and its subsidiaries (together referred as the "Group"), which comprise the consolidated statement of financial position as at 31 March 2018, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

(1) Opening balances and corresponding figures

As detailed in the auditor's report dated 28 June 2017, our auditor's opinion on the consolidated financial statements for the year ended 31 March 2017 (the "2017 Financial Statements"), which form the basis for the corresponding figures presented in the current year's consolidated financial statements, was disclaimed because of the significance of the possible effects of limitations in the scope of the audit. We were unable to carry out audit procedures to satisfy ourselves whether the 2017 Financial Statements gave a true and fair view. Any adjustments found to be necessary in respect of the matters which were the subject of the limitation of scope may have a significant effect on the state of affairs of the Group as at 31 March 2017 and 1 April 2017 and hence of the Group's financial performance and cash flows for the year ended 31 March 2018. Furthermore, such adjustments may have significant effect on the comparability of the current period's figures and corresponding figures in the consolidated financial statements.

(2) Scope limitation — Interest in Greek Mythology and share of results of Greek Mythology

The management of Greek Mythology, an associate of the Group, did not cooperate with the management of the Group and denied the Group's access to their books and records. In addition, no audited financial statements of Greek Mythology since 31 March 2010 and no management accounts of Greek Mythology since 31 March 2012 were available. We were therefore unable to determine the Group's share of net assets and results of Greek Mythology and impairment assessment of the Group's interest in the associate and of the amounts due from the associate.

Due to the lack of sufficient appropriate audit evidence, we were unable to satisfy ourselves as to whether Greek Mythology was properly accounted for as an associate, and whether the gross carrying amount before impairment loss allowance of the Group's interest in Greek Mythology of approximately HK\$1,191,209,000 as at 31 March 2018 and 2017 and the Group's share of results of Greek Mythology for the year ended 31 March 2018 were free from material misstatements. There are no other satisfactory audit procedures that we could adopt to determine whether any adjustments to the amounts were necessary.

(3) Scope limitation – Recoverability of amount due from Greek Mythology and valuation of intangible assets

- (a) Included in the Group's trade and other receivables of approximately HK\$52,848,000 as at 31 March 2018 was an amount of approximately HK\$26,100,000 due from Greek Mythology. We were unable to obtain sufficient appropriate audit evidence to ascertain the appropriateness of the impairment assessment for making the provision for the impairment of this amount because (i) we were unable to carry out effective confirmation procedures in relation to the balance receivable for the purpose of our audit; and (ii) there is no information available for us to assess the financial position of Greek Mythology from which the management of the Group was denied access to their books and records as mentioned in the Basis for Disclaimer of Opinion paragraph (2). There are no other satisfactory audit procedures that we could adopt to determine whether the recoverability of amount due from Greek Mythology and its recognition were free from material misstatement.
- (b) Included in the consolidated statement of financial position as at 31 March 2018 are intangible assets relating to the rights granted to Greek Mythology to operate and manage certain gaming tables and slot machines, with a carrying amount of HK\$4,092,000. No impairment has been made for the year in this aspect as the directors of the Company determined that the value in use of the rights exceeded their carrying amount based on the cash flow projections and financial budgets prepared by the directors. However, we were unable to obtain sufficient appropriate audit evidence to ascertain whether the cash flow projections and financial budgets were properly prepared. We were therefore unable to satisfy ourselves as to whether the carrying amount of the intangible assets as at 31 March 2018 was fairly stated.

Any adjustments that might have been found to be necessary in respect of the matters mentioned above would have a consequential effect on the results for the years ended 31 March 2018 and 2017 and the Group's net assets as at 31 March 2018 and 2017 and related disclosures in the consolidated financial statements.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

As described in note 3 to the consolidated financial statements, which indicates that the Group incurred a net loss of HK\$50,734,000 during the year ended 31 March 2018 and, as of that date, the Group's current liabilities exceeded its current assets by HK\$161,553,000. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. This matter did not result in our issuance of disclaimer of our opinion.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group'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 the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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

Independent Auditor's Report

AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by HKICPA and to issue an auditor's report. This report is made solely to you, as a body, in accordance with Section 90 of Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liabilities to any other person for the contents of this report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

The engagement partner on the audit resulting in the independent auditor's report is Chan Wai Nam, William with Practising Certificate number P05957.

Elite Partners CPA Limited

Certified Public Accountants

10/F., 8 Observatory Road,

Tsim Sha Tsui,

Kowloon, Hong Kong

28 June 2018

Consolidated Statement of Profit or Loss

For the year ended 31 March 2018 (Expressed in Hong Kong dollar)

	Notes	2018 HK\$'000	2017 HK\$'000
Revenue	5	62,206	11,401
Cost of sales		(31,403)	(4,957)
Gross profit		30,803	6,444
Other income	6	1,700	4
Impairment losses of intangible assets	16	(24,823)	(41,910)
Impairment losses of amount due from an associate	20(c)	-	(63,567)
Impairment losses of interest in an associate	18	-	(837,641)
Selling and distribution expenses		(3,660)	(44)
Fair value change of derivative financial assets	19	(222)	-
General and administrative expenses		(53,154)	(56,996)
Gain on disposal of subsidiaries		-	5,533
Finance costs	7	(1,160)	(343)
Loss before taxation	8	(50,516)	(988,520)
Income tax	9	(218)	-
Loss for the year		(50,734)	(988,520)
Attributable to:			
Owners of the Company		(52,772)	(983,869)
Non-controlling interests		2,038	(4,651)
Loss for the year		(50,734)	(988,520)
Loss per share			
– Basic (HK cents)	14	(7.48)	(195.78)
– Diluted (HK cents)	14	(7.48)	(195.78)

The notes on pages 49 to 123 form part of these consolidated financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2018 (Expressed in Hong Kong dollar)

	2018 HK\$'000	2017 HK\$'000
Loss for the year	(50,734)	(988,520)
Other comprehensive expense for the year		
Item that may be subsequently reclassified to profit or loss:		
Exchange differences on translation of financial statements of overseas subsidiaries	-	2
Exchange reserve reclassified on disposal of subsidiaries	-	(189)
Total comprehensive expense for the year	(50,734)	(988,707)
Total comprehensive expense attributable to:		
Owners of the Company	(52,772)	(984,057)
Non-controlling interests	2,038	(4,650)
	(50,734)	(988,707)

The notes on pages 49 to 123 form part of these consolidated financial statements.

Consolidated Statement of Financial Position

At 31 March 2018 (Expressed in Hong Kong dollars)

	Notes	2018 HK\$'000	2017 HK\$'000
Non-current assets			
Property, plant and equipment	15	8,715	13,819
Intangible assets	16	127,241	139,227
Goodwill	17	41,761	–
Interest in an associate	18	353,568	353,568
Deposits paid for acquisition of computer software and property, plant and equipment		5,742	4,493
Derivative financial asset	19	156	–
		537,183	<u>511,107</u>
Current assets			
Trade and other receivables	20	52,848	27,117
Cash and cash equivalents		1,759	<u>1,175</u>
		54,607	<u>28,292</u>
Current liabilities			
Trade and other payables	21	204,864	201,958
Obligations under a finance lease	22	403	380
Other borrowings	23	10,300	3,750
Tax payables		593	–
		216,160	<u>206,088</u>
Net current liabilities		(161,553)	<u>(177,796)</u>
Total assets less current liabilities		375,630	<u>333,311</u>
Non-current liabilities			
Obligations under a finance lease	22	33	449
Promissory notes	24	12,816	–
Deferred tax liabilities	25	3,616	–
		16,465	<u>449</u>
NET ASSETS		359,165	<u>332,862</u>

Consolidated Statement of Financial Position

At 31 March 2018 (Expressed in Hong Kong dollars)

	Notes	2018 HK\$'000	2017 HK\$'000
Capital and reserves			
Share capital			119,960
Reserves		142,850	161,731
Total equity attributable to owners of the Company		305,956	281,691
Non-controlling interests		53,209	51,171
TOTAL EQUITY		359,165	332,862

The notes on pages 49 to 123 form part of these consolidated financial statements were approved and authorised for issue by the Board of Directors on 28 June 2018 and are signed on its behalf by:

Ng Man Sun
Chairman

Ng Wai Yee
Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2018 (Expressed in Hong Kong dollars)

	Attributable to equity holders of the Company										Non-controlling interests		
	Share capital	Share premium	Special reserve	Contributed surplus	Capital reserve	Exchange reserve	Other reserve	Accumulated losses	Sub-total			Total	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 April 2016	65,587	429,135	(22,470)	2,180,026	18,705	188	147	(1,520,291)	1,151,027	56,905	1,207,932		
Loss for the year	-	-	-	-	-	-	-	(983,869)	(983,869)	(4,651)	(988,520)		
Exchange differences on translation of foreign operation	-	-	-	-	-	1	-	-	-	1	1	2	
Exchange reserves realised on disposal of subsidiaries	-	-	-	-	-	(189)	-	-	(189)	-	-	(189)	
Total comprehensive expenses for the year	-	-	-	-	-	(188)	-	(983,869)	(984,057)	(4,650)	(988,707)		
Disposal on equity interest in subsidiaries	-	-	-	-	-	-	-	-	-	(1,084)	(1,084)		
Equity-settled share-based transactions	-	-	-	-	1,124	-	-	-	1,124	-	1,124		
Shares issued under open offer	32,793	(2,573)	-	-	-	-	-	-	30,220	-	30,220		
Shares issued for acquisition of intangible assets	4,260	35,286	-	-	-	-	-	-	39,546	-	39,546		
Issue of consideration shares	12,000	18,600	-	-	-	-	-	-	30,600	-	30,600		
Shares issued under placing	5,320	7,911	-	-	-	-	-	-	13,231	-	13,231		
At 31 March 2017 and 1 April 2017	119,960	488,359	(22,470)	2,180,026	19,829	-	147	(2,504,160)	281,691	51,171	332,862		
Loss for the year	-	-	-	-	-	-	-	(52,772)	(52,772)	2,038	(50,734)		
Total comprehensive expenses for the year	-	-	-	-	-	-	-	(52,772)	(52,772)	2,038	(50,734)		
Shares issued under placing	12,400	10,017	-	-	-	-	-	-	22,417	-	22,417		
Exercise of share options	746	1,283	-	-	(649)	-	-	-	1,380	-	1,380		
Shares issued for acquisition of subsidiaries	30,000	19,500	-	-	-	-	-	-	49,500	-	49,500		
Other reserves realised	-	-	-	-	-	-	(147)	147	-	-	-		
Equity-settled share-based transactions	-	-	-	-	3,740	-	-	-	3,740	-	3,740		
Lapse of share options	-	-	-	-	(296)	-	-	296	-	-	-		
At 31 March 2018	163,106	519,159	(22,470)	2,180,026	22,624	-	-	(2,556,489)	305,956	53,209	359,165		

The notes on pages 49 to 123 form part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 March 2018 (Expressed in Hong Kong dollars)

	Notes	2018 HK\$'000	2017 HK\$'000
Operating activities			
Loss before taxation		(50,516)	(988,520)
Adjustments for:			
Interest income from banks	6	-	(2)
Depreciation of property, plant and equipment	15	5,891	4,964
Amortisation of intangible assets	16	13,051	11,133
Interest expenses	7	1,160	343
Gain on disposals of subsidiaries	29	-	(5,533)
Impairment losses of intangible assets	16	24,823	41,910
Reversal of impairment loss of intangible asset	16	(1,700)	-
Impairment losses of interest in an associate	18	-	837,641
Impairment losses of amount due from an associate	20	-	63,567
Equity-settled share-based payment expenses	8	3,740	1,124
Other expense		-	2,795
Written off of other receivables		-	3,672
Fair value loss on derivative financial asset	19	222	-
		(3,329)	(26,906)
Change in working capital			
Increase in trade and other receivables		(25,029)	(3,621)
Increase/(decrease) in trade and other payables		1,321	(6,389)
Net cash used in operating activities		(27,037)	(36,916)
Investing activities			
Deposits paid for acquisition of computer software and property, plant and equipment		(1,249)	(4,493)
Payments for purchase of property, plant and equipment	15	(631)	-
Interest received		-	2
Cash inflow from acquisition of subsidiaries	28	279	-
Cash outflow from disposals of subsidiaries	29	-	(1,910)
		(1,601)	(6,401)
Net cash used in investing activities			
Financing activities			
Proceeds from other borrowings		9,140	3,750
Repayment of other borrowings		(2,590)	(4,260)
Shares issued under placing		22,417	13,231
Capital element of finance lease payments made		(393)	(380)
Interest element of a finance lease	7	(19)	(31)
Interest on other borrowings		(713)	(280)
Exercise of share options		1,380	-
Shares issued under open offer		-	30,220
Net cash generated from financing activities		29,222	42,250
Net increase/(decrease) in cash and cash equivalents		584	(1,067)
Cash and cash equivalents at beginning of the year		1,175	2,473
Net effect of foreign exchange rate changes		-	(231)
Cash and cash equivalents at end of the year		1,759	1,175
Analysis of cash and cash equivalents			
Cash and cash equivalents		1,759	1,175

The notes on pages 49 to 123 form part of these consolidated financial statements.

Notes to Consolidated Financial Statements

For the year ended 31 March 2018 (Expressed in Hong Kong dollars)

1. GENERAL INFORMATION

Amax International Holdings Limited (the "Company") was incorporated and domiciled in Bermuda as an exempted company with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" to the annual report.

The principal activity of the Company is investment holdings. The principal activities of its subsidiaries and associate during the year are set out in notes 36 and 18 to the consolidated financial statements.

The consolidated financial statements are presented in Hong Kong dollars, which is also the functional currency of the Company.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

a. New and amended Standards and Interpretations issued that are applicable to March 2018 year-end

In the current year, the Group has applied for the first time the following amendments to HKFRSs that are mandatorily effective for an accounting period that begins on or after 1 April 2017:

Amendment to HKAS 7	<i>Disclosure Initiative;</i>
Amendment to HKAS 12	<i>Recognition of Deferred Tax Assets for Unrealised losses;</i> <i>and</i>
HKFRSs (Amendment)	Annual Improvements to HKFRSs, 2014–2016 Cycle

The amendments to HKAS 7 require an entity to make disclosures that aim to enable users of financial statements to evaluate changes in liabilities arising from financing activities. Reconciliations of various types of the Group's financing liabilities are disclosed in the consolidated financial statements. Other than such additional disclosures, the application of the amendments has not had any material effect on the consolidated financial statements.

The amendments to HKAS 12 clarify when unrealised losses on a debt instrument measured at fair value would give rise to a deductible temporary difference and how to evaluate whether sufficient future taxable profits are available to utilise a deductible temporary difference.

Annual improvements to HKFRSs (2014–2016 cycle) include an amendment to HKFRS 12 that clarifies that, when an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) is classified (or included in a disposal group that is classified) as held for sale in accordance with HKFRS 5 Non-current Assets held for Sale and Discontinued operations, it is not required to disclose summarised financial information for that subsidiary, joint venture or associate, as required by HKFRS 12 Disclosure of Interests in Other Entities.

Notes to Consolidated Financial Statements

For the year ended 31 March 2018 (Expressed in Hong Kong dollars)

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(CONTINUED)

a. New and amended Standards and Interpretations issued that are applicable to March 2018 year-end (CONTINUED)

The Group has not applied any of the following new and revised HKFRSs that have been issued but are not yet mandatorily effective:

HKFRS 9	Financial Instruments ¹
HKFRS 15	Revenue from Contracts with Customers ¹
HKFRS 16	Leases ²
HKFRS 17	Insurance Contracts ³
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions ¹
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts ¹
Amendments to HKFRS 9	Prepayment Features with Negative Compensation ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers ¹
Amendments to HKAS 40	Transfers of Investment Property ¹
Amendments to HKFRSs	Annual Improvements to HKFRS Standards 2014-2016 Cycle ¹
Amendments to HKFRSs	Annual Improvements to HKFRS Standards 2015-2017 Cycle ²
HK(IFRIC) Interpretation 22	Foreign Currency Transactions and Advance Consideration ¹
HK(IFRIC) Interpretation 23	Uncertainty over Income Tax Treatments ²

¹ Effective for annual periods beginning on or after 1 January 2018

² Effective for annual periods beginning on or after 1 January 2019

³ Effective for annual periods beginning on or after 1 January 2021

⁴ No mandatory effective date yet determined but available for adoption

HKFRS 9 Financial Instruments

HKFRS 9 has introduced new requirements for a) classification and measurement of financial assets, b) impairment of financial assets and c) general hedge accounting.

Notes to Consolidated Financial Statements

For the year ended 31 March 2018 (Expressed in Hong Kong dollars)

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

(CONTINUED)

- a. New and amended Standards and Interpretations issued that are applicable to March 2018 year-end (CONTINUED)

HKFRS 9 Financial Instruments (CONTINUED)

Specifically, with regards to the classification and measurement of financial assets HKFRS 9 requires all recognised financial assets that are within the scope of HKFRS 9 to be subsequently measured at amortised cost or fair value. Debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of each of the subsequent accounting periods. Debt investments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income (FVTOCI). All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. Further, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is neither held for trading nor being contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 applies) in other comprehensive income, with only dividend income generally recognised in profit or loss and the cumulative fair value changes will not be reclassified to profit or loss upon derecognition of the investment.

With regards to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability’s credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

With regards to impairment of financial assets, HKFRS 9 has adopted an expected credit loss model, as opposed to an incurred credit loss model required under HKAS 39. In general, the expected credit loss model requires an entity to assess the change in credit risk of a financial asset since initial recognition at each reporting date and to recognise the expected credit loss depending on the degree of the change in credit risk.

Notes to Consolidated Financial Statements

For the year ended 31 March 2018 (Expressed in Hong Kong dollars)

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

(CONTINUED)

- a. New and amended Standards and Interpretations issued that are applicable to March 2018 year-end (CONTINUED)

HKFRS 9 Financial Instruments (CONTINUED)

With regards to the general hedge accounting requirements, HKFRS 9 retains the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an “economic relationship”. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity’s risk management activities have also been introduced.

HKFRS 9 contains specific transitional provisions for (a) classification and measurement of financial assets; (b) impairment of financial assets; and (c) hedge accounting, please refer to HKFRS 9 for details.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, HKFRS 15 introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

Notes to Consolidated Financial Statements

For the year ended 31 March 2018 (Expressed in Hong Kong dollars)

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

(CONTINUED)

- a. New and amended Standards and Interpretations issued that are applicable to March 2018 year-end (CONTINUED)

HKFRS 15 Revenue from Contracts with Customers (CONTINUED)

HKFRS 15 contains a number of transitional provisions as well as practical expedients to help preparers so through the transition. Please refer to HKFRS 15 for details.

HKFRS 16 Leases

HKFRS 16 will supersede the current lease guidance including HKAS 17 *Leases* and the related interpretations when it becomes effective.

Specifically, the right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any re-measurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments. Furthermore, the classification of cash flows will also be affected as operating lease payments under HKAS 17 are presented as operating cash flows; whereas, under the HKFRS 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

With regards to lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, HKFRS 16 requires extensive disclosures in the financial statements.

Amendments to HKFRS 2 Classification and Measurement of Share-based Payment Transactions

The amendments clarify the following:

- In estimating the fair value of a cash-settled share-based payment, the accounting for the effects of vesting and non-vesting conditions should follow the same approach as for equity-settled share-based payments.
- Where tax law or regulation requires an entity to withhold a specified number of equity instruments equal to the monetary value of the employee's tax obligation to meet the employee's tax liability which is then remitted to the tax authority, i.e. the share-based payment arrangement has a "net settlement feature", such an arrangement should be classified as equity settled in its entirety, provided that the share-based payment would have been classified as equity-settled had it not included the net settlement feature.

Notes to Consolidated Financial Statements

For the year ended 31 March 2018 (Expressed in Hong Kong dollars)

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

(CONTINUED)

a. New and amended Standards and Interpretations issued that are applicable to March 2018 year-end (CONTINUED)

Amendments to HKFRS 2 Classification and Measurement of Share-based Payment Transactions

(CONTINUED)

- A modification of a share-based payment that changes the transaction from cash-settled to equity-settled should be accounted for as follows: the original liability is derecognised. The equity-settled share-based payment is recognised at the modification date fair value of the equity instrument granted to the extent that services have been rendered up to the modification date. Any difference between the carrying amount of the liability at the modification date and the amount recognised in equity should be recognised in profit or loss immediately.

Amendments to HKFRS 4 Insurance Contracts

Amendments to HKFRS 4 are not applicable to the Group as the Company or its subsidiaries are not engaged in insurance business.

Amendments to HKFRS 10 and HKAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to HKFRS 10 and HKAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the re-measurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

Amendments to HKAS 40 Transfers of Investment Property

The amendments clarify that an entity should transfer a property to, or from, investment property when, and only when, there is a change in use. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. The amendments emphasize that a change in management's intentions for the use of a property, in isolation, does not provide evidence of a change in use. Further, the amendments clarify that the list of circumstances set out in paragraph 57 of IAS 40/HKAS 40 are examples only.

Notes to Consolidated Financial Statements

For the year ended 31 March 2018 (Expressed in Hong Kong dollars)

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

(CONTINUED)

- a. New and amended Standards and Interpretations issued that are applicable to March 2018 year-end (CONTINUED)

Amendments to HKAS 40 Transfers of Investment Property (CONTINUED)

The amendments require an entity to apply the amendments to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments (i.e. the date of initial application). At the date of initial application, an entity should reassess the classification of property held at that date and, if applicable, reclassify property to reflect the conditions that exist at that date.

HK(IFRIC) Interpretation 22 Foreign Currency Transactions and Advance Consideration

This Interpretation addresses how to determine the date of the transaction for the purpose of determining the exchange rate to be used on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration in a foreign currency. The Interpretation concludes that the date of the transaction for the abovementioned purpose is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

HK(IFRIC) Interpretation 23 Uncertainty over Income Tax Treatments

This Interpretation clarifies how to apply the recognition and measurement requirements in HKAS 12 when there is uncertainty over income tax treatments.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements also include applicable disclosure required by the Rules Governing the Listing of Securities of the Stock Exchange (the “Listing Rules”) and by the Hong Kong Companies Ordinance.

(b) Basis of preparation

(i) Going Concern

In preparing the consolidated financial statements, the directors have considered the future liquidity of the Group in view of its recurring losses incurred and net current liabilities position as at 31 March 2018. The Group incurred a consolidated net loss from operations attributable to owners of the Company of approximately HK\$52,772,000 for the year ended 31 March 2018, and had consolidated net current liabilities of approximately HK\$161,553,000 as at 31 March 2018.

Notes to Consolidated Financial Statements

For the year ended 31 March 2018 (Expressed in Hong Kong dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of preparation (CONTINUED)

(i) Going Concern (CONTINUED)

The directors adopted the going concern basis in the preparation of the consolidated financial statements based on the fundamental assumptions that it would improve the working capital position, the immediate liquidity and the cash flow position of the Group by successfully obtaining the unsecured loan facility from an independent third party up to HK\$250,000,000. The loans carrying interest at 24% per annum. The facility has not been utilised up to the date of approval of these consolidated financial statements.

In addition, resolutions were passed at a special general meeting of the Company held on 19 June 2018 by the independent shareholders to approve settlement deeds and issue of convertible bonds in relation to the HK\$190 million promissory notes. As a result, the current liabilities of the Group would be reduced by HK\$164,500,000.

In the opinion of the directors, in light of the aforesaid arrangement implemented to date, the Group will have sufficient working capital for its current requirements and it is reasonable to expect that the Group will remain as a commercially viable concern. Accordingly, the directors are satisfied that it is appropriate to prepare the consolidated financial statements for the year ended 31 March 2018 on a going concern basis. Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for future liabilities which might arise and to reclassify non-current assets and non-current liabilities to current respectively. The effect of these adjustments has not been reflected in the consolidated financial statements.

(ii) Historical cost basis of preparations

The consolidated financial statements have been prepared on the historical cost basis, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods or services.

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 Group 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. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

Notes to Consolidated Financial Statements

For the year ended 31 March 2018 (Expressed in Hong Kong dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of preparation (CONTINUED)

In addition, for financial reporting purposes, fair value measurements are categorised 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, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

(c) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not they control an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income and expense of a subsidiary is attributed to the equity holders of the Company and to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Notes to Consolidated Financial Statements

For the year ended 31 March 2018 (Expressed in Hong Kong dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the acquiree's identifiable assets, liabilities and contingent liabilities are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income Taxes" and HKAS 19 "Employee Benefits" respectively;
- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with HKFRS 2 "Share-based Payment" at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with HKFRS 5.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after assessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Notes to Consolidated Financial Statements

For the year ended 31 March 2018 (Expressed in Hong Kong dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Business combinations (CONTINUED)

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or another measurement basis required by another standard. When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets", as appropriate, with the corresponding gain or loss being recognised in profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Acquisition of assets

For the acquisition of assets effected through a non-operating corporate structure that does not constitute a business, it is considered that the transactions do not meet the definition of a business combination. Accordingly the transaction is accounted for as the acquisition of an asset. In such cases, the Group shall identify and recognise the individual identification assets acquired and liabilities assumed. The cost of group of assets shall be allocated to the individual identification assets and liabilities on the basis of their relative fair value at the date of purchase. Such a transaction or event does not give rise to goodwill.

Notes to Consolidated Financial Statements

For the year ended 31 March 2018 (Expressed in Hong Kong dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Goodwill

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the acquisition.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of profit or loss. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

(f) Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with HKFRS 5. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Notes to Consolidated Financial Statements

For the year ended 31 March 2018 (Expressed in Hong Kong dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Investments in associates (CONTINUED)

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

(g) Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost less accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method, at the following rate per annum:

Leasehold improvements	5 years or over the remaining term of the lease whichever is shorter
Furniture and equipment	3 to 5 years
Motor vehicles	5 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset is recognised in profit or loss.

Notes to Consolidated Financial Statements

For the year ended 31 March 2018 (Expressed in Hong Kong dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. For license rights, in periods where revenue is generated from the license rights, amortization is recognised at rate calculated to write off the costs in proportion to the expected revenue from the licensing of the rights. In the periods where no revenue is generated from the license right, amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

(i) Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Notes to Consolidated Financial Statements

For the year ended 31 March 2018 (Expressed in Hong Kong dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Impairment of tangible and intangible assets other than goodwill (CONTINUED)

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

(j) Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition. Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables including trade and other receivables, and bank balances and cash are carried at amortised cost using the effective interest method, less any identified impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivable, where the recognition of interest would be immaterial.

Notes to Consolidated Financial Statements

For the year ended 31 March 2018 (Expressed in Hong Kong dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial instruments (CONTINUED)

Loans and receivables (CONTINUED)

Impairment of financial assets

Financial assets (loans and receivables) are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets that are carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When trade receivables are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Notes to Consolidated Financial Statements

For the year ended 31 March 2018 (Expressed in Hong Kong dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ij) Financial instruments (CONTINUED)

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by the group entities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group entities after deducting all of its liabilities.

Financial liabilities at amortised cost

Financial liabilities (including trade and other payables, other borrowings and promissory notes) are subsequently measured at amortised cost using effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts), through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Equity instruments

Equity instruments issued by the group entities are recorded at the proceeds received, net of direct issue costs.

Notes to Consolidated Financial Statements

For the year ended 31 March 2018 (Expressed in Hong Kong dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial instruments (CONTINUED)

Financial liabilities and equity instruments (CONTINUED)

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent to its continuing involvement and recognises an associated liability.

If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. The Group derecognises financial liability when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

(k) Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Notes to Consolidated Financial Statements

For the year ended 31 March 2018 (Expressed in Hong Kong dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Contingent rents are recognised as income in the year in which they are earned.

The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Contingent rentals are recognised as expenses in the period in which they are incurred.

(m) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(n) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the profit or loss as follows:

(i) Investments in VIP gaming tables and slot machines related operations

Revenue from investments in VIP gaming tables and slot machines related operations, representing fixed monthly income, is recognised in accordance with the agreed terms.

(ii) Investment in gaming operation in Vanuatu

Revenue from investment in gaming operation in Vanuatu, representing the net gaming wins is recognised when the relevant services have been rendered and is measured at the entitlement of economic inflows of the Group from the business.

(iii) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset.

Notes to Consolidated Financial Statements

For the year ended 31 March 2018 (Expressed in Hong Kong dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Revenue recognition (CONTINUED)

(iv) Commission income

Commission income is recognised when services are provided.

(v) Interest income

Interest income is recognised as it accrues using the effective interest method.

(vi) Investment in VIP room in Cambodia

Revenue from investment in VIP room in Cambodia, representing the net gaming win is recognised when the relevant services have been rendered and is measured at the entitlement of economic inflow of the Group from this operation.

(vii) Services income derived from AR/VR and mobile games solutions

Services income is recognised when services are provided.

(o) Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the year, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve.
- On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.
- Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and retranslated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

Notes to Consolidated Financial Statements

For the year ended 31 March 2018 (Expressed in Hong Kong dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Taxation

Income tax expense represents the sum of the tax currently payable and deferred taxation. The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before taxation as reported in the consolidated statement of profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred taxation is calculated at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority to the same group entity and the Group intends to settle its current tax assets and liabilities on a net basis.

Notes to Consolidated Financial Statements

For the year ended 31 March 2018 (Expressed in Hong Kong dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Share-based payment transactions of the Company

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 27. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity.

At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to capital reserve.

For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in capital reserve will be transferred to share premium. When share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in capital reserve will be transferred to retained earnings.

(r) Retirement benefit costs

Payments to the Mandatory Provident Funds as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance and the Labour Law in the People's Republic of China ("PRC") municipal government retirement scheme, are recognised as an expense when employees have rendered service entitling them to the contributions.

Notes to Consolidated Financial Statements

For the year ended 31 March 2018 (Expressed in Hong Kong dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Related parties

A party is considered to be related to the Company if:

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control of the Company;
 - (ii) has significant influence over the Company; or
 - (iii) is a member of the key management personnel of the Company or of a parent of the Company.
- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Company are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Company are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the group or to the group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

Notes to Consolidated Financial Statements

For the year ended 31 March 2018 (Expressed in Hong Kong dollars)

4. SEGMENT REPORT

HKFRS 8 "Operating Segments" requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (the executive directors) ("CODM") in order to allocate resources to segments and to assess their performance.

During the year ended 31 March 2018, the Group's operating activities are attributable to two operating segments focusing on (i) gaming and entertainment related businesses; and (ii) AR/VR and mobile games solutions.

During the year ended 31 March 2017, The Group principally has one operating segment, which is the investments in gaming and entertainment related businesses. Therefore, no segment revenue, results, assets and liabilities has been presented in these consolidated financial statements for the year ended 31 March 2017.

These operating segments have been identified on the basis of internal management reports prepared in accordance with accounting policies which conform to HKFRSs, that are regularly reviewed by the CODM. The following is an analysis of the Group's revenue and results by reportable and operating segments:

(a) Segment revenue and results

	Gaming and entertainment HK\$'000	AR/VR and mobile games solutions HK\$'000	Total HK\$'000
Segment revenue			
External	56,676	5,530	62,206
Segment results			
	12,260	4,146	16,406
Reconciliation:			
Reversal of impairment loss on intangible assets			1,700
Share-based payments			(3,740)
Amortisation of intangible assets			(13,051)
Impairment loss on intangible assets			(24,823)
Fair value change of derivative financial assets			(222)
Unallocated corporate expenses			(25,626)
Unallocated finance costs			(1,160)
Loss before taxation			(50,516)

Segment loss represents the loss incurred by each segment include depreciation, but without allocation of certain amortisation, impairment, administration costs and other income. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Notes to Consolidated Financial Statements

For the year ended 31 March 2018 (Expressed in Hong Kong dollars)

4. SEGMENT REPORT (CONTINUED)

(b) Segment assets and liabilities

	Gaming and entertainment HK\$'000	AR/VR and mobile games solutions HK\$'000	Total HK\$'000
Assets			
Segment assets	136,484	97,614	234,098
Unallocated corporate assets			357,692
Consolidated total assets			591,790
Liabilities			
Segment liabilities	3,977	4,360	8,337
Unallocated corporate liabilities			224,288
Consolidated total liabilities			232,625

	Gaming and entertainment HK\$'000	AR/VR and mobile games solutions HK\$'000	Other HK\$'000	Total HK\$'000
Other segment information				
Amounts included in the measure of segment profit or loss or segment assets				
Addition of property, plant and equipment	546	85	–	631
Depreciation of property, plant and equipment	5,213	39	639	5,891
Finance costs	–	–	1,160	1,160
Income tax expenses	–	218	–	218
Amortisation of intangible assets	2,048	11,003	–	13,051

Notes to Consolidated Financial Statements

For the year ended 31 March 2018 (Expressed in Hong Kong dollars)

4. SEGMENT REPORT (CONTINUED)

(c) Major customer

Revenue of HK\$4,800,000 (2017: HK\$4,800,000) was receivable from Greek Mythology, an associate of the Group, for the year ended 31 March 2018.

No other single customer contracted 10% or more to the Group's revenue for 2018.

(d) Geographical

The Group's revenue from external customers by geographical market is as follows:

	2018 HK\$'000	2017 HK\$'000
Macau	4,800	4,800
PRC (excluding Macau and Hong Kong)	-	1
Republic of Vanuatu ("Vanuatu")	17,738	6,600
Hong Kong	5,530	-
Kingdom of Cambodia ("Cambodia")	34,138	-
	62,206	11,401

The Group's information about its non-current assets by geographical location of the assets is as follows:

	2018 HK\$'000	2017 HK\$'000
Macau	357,660	359,706
Vanuatu	11,577	121,538
Hong Kong	166,032	29,863
Cambodia	1,758	-
	537,027	511,107

Notes to Consolidated Financial Statements

For the year ended 31 March 2018 (Expressed in Hong Kong dollars)

5. REVENUE

An analysis of the Group's revenue is as follows:

	2018 HK\$'000	2017 HK\$'000
Revenue from investments in gaming and entertainment related businesses		
- Investment in VIP gaming tables related operation	3,600	3,600
- Investment in slot machines related operation	1,200	1,200
- Investment in gaming operation in Vanuatu	17,738	6,600
- Investment in VIP room in Cambodia	34,138	-
Commission income on provision of services to Guangxi Welfare Lottery Issue Centre	-	1
Services income derived from AR/VR and mobile games solutions	5,530	-
	62,206	11,401

(a) Investment in VIP gaming tables related operation

Thousand Ocean Investments Limited ("Thousand Ocean"), a wholly-owned subsidiary of the Company, has an investment interest in five gaming tables in the high rolling gaming (the "Gaming Table") in Greek Mythology Casino reserved exclusively for high-wagering patrons.

Thousand Ocean granted the right to Greek Mythology, an associate of the Group, to operate and manage the Gaming Table. In return, Thousand Ocean earns a fixed monthly income of HK\$300,000.

	2018 HK\$'000	2017 HK\$'000
Income	3,600	3,600

(b) Investment in slot machines related operation

Jadepower Limited ("Jadepower"), a wholly-owned subsidiary of the Company, has an investment interest in certain electronic slot machines in Greek Mythology Casino.

Jadepower granted the right to Greek Mythology, an associate of the Group, to operate and manage these slot machines in Macau. In return, Jadepower earns a fixed monthly income of HK\$100,000.

	2018 HK\$'000	2017 HK\$'000
Income	1,200	1,200

Notes to Consolidated Financial Statements

For the year ended 31 March 2018 (Expressed in Hong Kong dollars)

5. REVENUE (CONTINUED)

(c) Investment in gaming operation in Vanuatu

Chartreuse Holdings Limited, a non-wholly-owned subsidiary of the Company, holds an interactive gaming license in Vanuatu. The net gaming win is recognised when the relevant services have been rendered and is measured at the entitlement of economic inflows of the Group from this operation.

(d) Investment in VIP room in Cambodia

Victor Mind Global Limited, a wholly-owned subsidiary of the Company, operates VIP room in Cambodia. The net gaming win is recognised when the relevant services have been rendered and is measured at the entitlement of economic inflows of the Group from this operation.

(e) Services income derived from AR/VR and mobile games solutions

MostCore Limited, a wholly owned subsidiary of the Company, is specialised in AR/VR entertainment developments apps on mobile devices platforms and also provides customised IT and design solutions.

6. OTHER INCOME

An analysis of the Group's other income are as follows:

	2018 HK\$'000	2017 HK\$'000
Interest income from banks	-	2
Reversal of impairment loss on intangible asset	1,700	-
Exchange gain	-	2
	1,700	4

7. FINANCE COSTS

	2018 HK\$'000	2017 HK\$'000
Interest on promissory notes	326	2
Finance charges on obligations under a finance lease	19	31
Interest on other borrowings	815	310
Total interest expenses on financial liabilities not at fair value through profit or loss	1,160	343

Notes to Consolidated Financial Statements

For the year ended 31 March 2018 (Expressed in Hong Kong dollars)

8. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

(a) Staff costs (including directors' emoluments)

	2018 HK\$'000	2017 HK\$'000
Equity-settled share-based payment expenses	1,825	697
Salaries, allowance and other benefits	9,781	10,196
Contributions to defined contribution retirement plans	163	130
	11,769	11,023

(b) Other items

	2018 HK\$'000	2017 HK\$'000
Depreciation of property, plant and equipment	5,891	4,964
Amortisation of intangible assets	13,051	11,133
Auditor's remuneration	930	810
Equity-settled share-based payment expenses to consultants	1,915	427
Written off of other receivables	-	3,672
Operating lease charges in respect of premises: – minimum lease payments	7,488	4,975

Notes to Consolidated Financial Statements

For the year ended 31 March 2018 (Expressed in Hong Kong dollars)

9. INCOME TAX

Pursuant to the rules and regulations of Bermuda, British Virgin Islands ("BVI") and Vanuatu, the Group is not subject to any income tax in Bermuda, BVI and Vanuatu.

Hong Kong Profits Tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

	2018 HK\$'000	2017 HK\$'000
Hong Kong Profits Tax		
Current year provision	(593)	–
Deferred tax		
In respect of current year	375	–
Total tax expenses for the year	(218)	–

Reconciliation between tax expense and accounting loss at applicable tax rates

	2018 HK\$'000	2017 HK\$'000
Loss before taxation	(50,516)	(988,520)
Notional tax on profit/(loss) before taxation, calculated at the rates applicable to profit/(loss) in the tax jurisdictions concerned	591	(157,959)
Tax effect of non-deductible expenses	274	159,063
Tax effect of non-taxable income	(281)	(1,104)
Tax effect of temporary difference not recognised	(8)	–
Tax effect of utilisation of tax loss not recognised in prior year	(358)	–
	218	–

Notes to Consolidated Financial Statements

For the year ended 31 March 2018 (Expressed in Hong Kong dollars)

10. DIRECTORS' EMOLUMENTS

Directors' remuneration disclosed pursuant to section 383(1) of the Companies Ordinance is as follows:

For the year ended 31 March 2018

	Directors' fee HK\$'000	Salaries, allowances and benefits-in- kind HK\$'000	Equity-settled payments (Note) HK\$'000	Retirement scheme contributions HK\$'000	Total HK\$'000
Executive Directors					
Mr. Ng Man Sun (<i>Chairman and Chief Executive Officer</i>)	-	3,800	469	-	4,269
Ms. Ng Wai Yee	-	702	469	18	1,189
Independent Non-executive Directors					
Ms. Yeung Pui Han, Regina	144	-	47	-	191
Mr. Li Chi Fai	156	-	47	-	203
Ms. Sie Nien Che, Celia	144	-	47	-	191
	444	4,502	1,079	18	6,043

For the year ended 31 March 2017

	Directors' fee HK\$'000	Salaries, allowances and benefits- in-kind HK\$'000	Equity-settled payments (Note)/ HK\$'000	Retirement scheme contributions HK\$'000	Total HK\$'000
Executive Directors					
Mr. Ng Man Sun (<i>Chairman and Chief Executive Officer</i>)	-	4,501	50	-	4,551
Ms. Ng Wai Yee	-	696	50	18	764
Independent Non-executive Directors					
Ms. Yeung Pui Han, Regina	132	-	50	-	182
Mr. Li Chi Fai	132	-	50	-	182
Ms. Sie Nien Che, Celia	132	-	50	-	182
	396	5,197	250	18	5,861

Note: These represent the estimated value of share options granted to Directors under the Company's share option scheme.

The details of the share options granted, including the principal terms and number of shares under share options granted, are disclosed in note 27.

Salaries, allowance and benefits-in-kind paid to or for the executive directors are generally emoluments paid or receivable in respect of those persons' other services in connection with the management of the affairs of the Company and its subsidiaries.

Notes to Consolidated Financial Statements

For the year ended 31 March 2018 (Expressed in Hong Kong dollars)

10. DIRECTORS' EMOLUMENTS (CONTINUED)

During the year, no emoluments (2017: Nil) were paid by the Group to any of the directors as inducement to join or upon joining the Group or as a compensation for loss of office. None of the directors waived or agreed to waive any emolument for the years ended 31 March 2018 and 2017.

11. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two (2017: two) are Directors of the Company whose emoluments are disclosed in note 10 above. The emoluments of the remaining three (2017: three) individuals are as follows:

	2018 HK\$'000	2017 HK\$'000
Salaries and other emoluments	2,837	2,684
Equity-settled share-based payments	480	448
Retirement scheme contributions	54	54
	3,371	3,186

The emoluments of the three (2017: three) individuals with highest emoluments are within the following band:

	2018 Number of individuals	2017 Number of individuals
HK\$Nil–HK\$1,000,000	2	2
HK\$1,000,001–HK\$1,500,000	1	1
HK\$1,500,001–HK\$2,000,000	—	—

12. RETIREMENT BENEFIT COSTS

Defined contribution retirement plan

The Group has arranged for its Hong Kong employees to join the Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance. The MPF Scheme is a defined contribution retirement plan managed by independent trustees. Under the MPF Scheme, each of the Group (the employer) and its employees makes monthly contributions to the scheme at 5% of the employees' relevant income as defined under the Mandatory Provident Fund Schemes Ordinance. The contributions from each of the employer and employees are subject to a cap of HK\$1,500 per month with effective from 1 June 2014.

Notes to Consolidated Financial Statements

For the year ended 31 March 2018 (Expressed in Hong Kong dollars)

12. RETIREMENT BENEFIT COSTS (CONTINUED)

Defined contribution retirement plan (CONTINUED)

The employees of the Group's subsidiaries in the PRC are members of a state-sponsored retirement plan operated by the local government in the PRC and these subsidiaries make mandatory contributions to the state-sponsored retirement plan to fund the employees' retirement benefits. The retirement contributions paid by the PRC subsidiaries are based on a certain percentage of the relevant portion of the payroll of all qualifying employees in accordance with the relevant regulations in the PRC and are charged to profit or loss as incurred. The Group discharges its retirement obligations upon payment of the retirement contributions to the state-sponsored retirement plan operated by the local governments in the PRC.

The total costs charged to the consolidated statement of profit or loss for the year ended 31 March 2018 of approximately HK\$163,000 (2017: HK\$130,000) represent contributions paid and payable to these schemes by the Group for the year at rates specified in the rules of the relevant schemes.

13. DIVIDENDS

The Directors do not recommend the payment of a dividend for the year ended 31 March 2018 (2017: Nil).

14. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share was based on the loss attributable to owners of the Company of HK\$52,772,000 (2017: HK\$983,869,000) and the weighted average number of 705,533,000 (2017: 502,538,000) ordinary shares in issue during the year.

(b) Diluted loss per share

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 March 2018 and 2017 in respect of the potential dilution of share options as the impact of the share options had an anti-dilutive effect on the basic loss per share amounts presented.

Notes to Consolidated Financial Statements

For the year ended 31 March 2018 (Expressed in Hong Kong dollars)

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK\$'000	Furniture and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Costs				
At 1 April 2016	2,882	5,818	3,510	12,210
Additions	—	10,920	—	10,920
Disposals through disposal of subsidiaries	(233)	(676)	(276)	(1,185)
Exchange realignment	(6)	(17)	(7)	(30)
At 31 March 2017 and 1 April 2017	2,643	16,045	3,227	21,915
Additions	—	631	—	631
Addition from acquisition of a subsidiary	—	394	—	394
Disposal	—	(29)	—	(29)
At 31 March 2018	2,643	17,041	3,227	22,911
Accumulated depreciation				
At 1 April 2016	686	1,947	1,249	3,882
Charge for the year	769	3,633	562	4,964
Written back on disposals through disposal of subsidiaries	(234)	(480)	(17)	(731)
Exchange realignment	(6)	(13)	—	(19)
At 31 March 2017 and 1 April 2017	1,215	5,087	1,794	8,096
Charge for the year	745	4,597	549	5,891
Charge for acquisition of a subsidiary	—	238	—	238
Written back on disposal	—	(29)	—	(29)
At 31 March 2018	1,960	9,893	2,343	14,196
Net carrying amounts				
At 31 March 2018	683	7,148	884	8,715
At 31 March 2017	1,428	10,958	1,433	13,819

At the end of the reporting period, the net carrying amount of motor vehicle held under a finance lease of the Group was approximately HK\$772,000 (2017: HK\$998,000).

Notes to Consolidated Financial Statements

For the year ended 31 March 2018 (Expressed in Hong Kong dollars)

16. INTANGIBLE ASSETS

	Mobile game applications HK\$'000	VIP gaming tables related operation HK\$'000	Right in sharing of profit stream of slot machines related operation HK\$'000	Gaming license HK\$'000	Non-Competition Agreement HK\$'000	Contract backlog HK\$'000	Total HK\$'000
Cost							
At 1 April 2016, 31 March 2017 and 1 April 2017	30,600	20,000	47,092	153,488	-	-	251,180
Addition – acquisition of subsidiaries	-	-	-	-	24,100	88	24,188
At 31 March 2018	30,600	20,000	47,092	153,488	24,100	88	275,368
Amortisation and impairment							
At 1 April 2016	-	13,858	45,052	-	-	-	58,910
Charge for the year	-	1,536	509	9,088	-	-	11,133
Impairment	2,300	-	-	39,610	-	-	41,910
At 31 March 2017 and 1 April 2017	2,300	15,394	45,561	48,698	-	-	111,953
Charge for the year	-	1,535	510	8,732	2,209	65	13,051
Impairment	-	-	-	24,823	-	-	24,823
Reversal of impairment loss	(1,700)	-	-	-	-	-	(1,700)
At 31 March 2018	600	16,929	46,071	82,253	2,209	65	148,127
Carrying amount							
At 31 March 2018	30,000	3,071	1,021	71,235	21,891	23	127,241
At 31 March 2017	28,300	4,606	1,531	104,790	-	-	139,227

The amortisation charge for the year is included in "general and administrative expenses" in the consolidated statement of profit or loss.

Notes to Consolidated Financial Statements

For the year ended 31 March 2018 (Expressed in Hong Kong dollars)

16. INTANGIBLE ASSETS (CONTINUED)

Notes:

- (a) The intangible assets relate to the Group's rights to share a portion of the net gaming wins from certain gaming tables in the high rolling gaming area and certain slot machines in Greek Mythology Casino in Macau for 14 years from 16 February 2007. With effect from 1 October 2010, the Group granted the associate, Greek Mythology, the right to operate and manage the aforesaid gaming tables and slot machines. In return, the Group earns fixed monthly income of HK\$300,000 and HK\$100,000 from Greek Mythology in respect of the VIP gaming tables and slot machines operations, respectively, and no longer shares the net gaming wins. Taking into consideration the future monthly income, the Directors consider that there is no indication of impairment in the carrying amount of the intangible assets.
- (b) Gaming license, which was acquired through acquisition of subsidiaries on 11 November 2014, represents the interactive gaming license for the corresponding subsidiary to conduct gaming business in Vanuatu. The useful life of the gaming license is 15 years from February 2014.

During the year, the Group assessed the recoverable amounts of the gaming license and an impairment loss of approximately, HK\$24,823,000 (2017: HK\$39,610,000) was recognised in the consolidated statement of profit or loss. The recoverable amount has been determined based on a value in use calculation using cash flow projections based on financial budgets covering the useful life of the license approved by senior management. The discount rate applied to cash flow projections is 24% (2017: 28.0%) per annum. The growth rate used to extrapolate the cash flows of the group of cash-generating units beyond the five-year period and up to the useful life is 3% (2017: 3%) per annum which is based on its expectation in relation to market development. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted revenue, growth rate and gross margin.

- (c) The mobile game applications which were acquired on 30 March 2017, represent the applications specifically built for mobile devices users for playing games and on-line/off-line players. The useful life of the mobile game applications is 10 years. The applications were still under development and testing stage as at 31 March 2017 and the subsidiary is yet to commence the operation of the mobile game applications.

During the year, the Group assessed the recoverable amounts of these mobile game applications and reversal of impairment loss of approximately, HK\$1,700,000 (2017: impairment loss of approximately HK\$2,300,000) was recognised in the consolidated statement of profit or loss. The recoverable amount for the year ended 31 March 2017 has been determined based on a value in use calculation using cash flow projections based on financial budgets covering the useful life approved by senior management. The discount rate applied to cash flow projections is 17.2% per annum. The growth rate used to extrapolate the cash flows of the group of cash-generating units beyond the five-year period is 4% per annum which is based on its expectation in relation to market development. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted revenue, growth rate and gross margin.

In April 2018, the wholly-owned subsidiary of the Company entered into the Sale Agreement with an independent third party to dispose of the mobile game applications at the consideration of HK\$30,000,000. The disposal is still not completed at the reporting date.

- (d) The non-competition agreements (the "NCA") represent the respective management undertakings among the Group and two key personnel of the MostCore Limited (the "Personnel"), an indirect wholly-owned subsidiary of the Company (the "Agreement"). Pursuant to the Agreement, each of the Personnel undertake to be an employee of the relevant member of the MostCore for a minimum of five years since the date of acquisition of Explicitly Grand Investments Limited and its subsidiaries and that each of them shall not participate whether directly or indirectly, in any business or activities which will or may compete with the business of the MostCore during the six-month period upon their respective ceasing to be an employee of the relevant member of the MostCore. The breach of such undertaking by either of the Personnel would trigger a penalty of HK\$5,000,000 each (i.e. a total of HK\$10,000,000) which will be compensated by the breaching party in proportion to the remaining term (rounded up to the nearest month) of the 5-year employment contract to the whole term of such contract. The useful life of the NCA is 5 years since 18 Oct 2017.

During the year, the Group assessed the recoverable amounts of the NCA and no impairment loss was recognised in the consolidated statement of profit or loss. The recoverable amount has been determined based on a value in use calculation using cash flow projections based on financial budgets covering the useful life of the NCA approved by senior management. The discount rate applied to cash flow projections is 21% per annum. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted revenue, growth rate and gross margin.

- (e) As at the date of completion, MostCore Limited has services contracts with customers for developing apps on mobile devices platforms. These service contracts were amortised when the service has been completed and was classified as contract backlog.

Notes to Consolidated Financial Statements

For the year ended 31 March 2018 (Expressed in Hong Kong dollars)

17. GOODWILL

	HK\$'000
Cost and net carrying amount	
At 1 April 2016, 31 March 2017 and 1 April 2017	–
Acquisition of subsidiaries	41,761
At 31 March 2018	41,761

Goodwill is allocated to the Group's cash generated units ("CGU") identified according to business segment. During the year ended 31 March 2018, the Group acquired 100% issued share capital of Explicitly Grand Investments Limited and its subsidiaries and therefore goodwill of approximately HK\$41,761,000 was recognised upon completion of the acquisition. The recoverable amount of the CGU has been determined based on a value in use calculation. That calculation adopted cash flow projections covering a 5-year period, based on financial budgets approved by the management with discount rate of 21% per annum. Cash flows beyond the 5-year period are extrapolated with 3% growth rate. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin. Such estimation is based on the unit's past performance and management's expectations of the market development. No impairment loss is recognised for the year ended 31 March 2018.

18. INTEREST IN AN ASSOCIATE

	2018 HK\$'000	2017 HK\$'000
Unlisted shares, at cost	–	–
Share of net assets	1,191,209	1,191,209
Sub-total	1,191,209	1,191,209
Less: impairment loss	(837,641)	(837,641)
	353,568	353,568

Notes to Consolidated Financial Statements

For the year ended 31 March 2018 (Expressed in Hong Kong dollars)

18. INTEREST IN AN ASSOCIATE (CONTINUED)

Particulars of associate as at 31 March 2018 are as follows:

Name of company	Place of incorporation/business	Particular of issued and paid up capital	Percentage of ownership interest held by the Company	Principal activities
Greek Mythology (Macau) Entertainment Group Corporation Limited ("Greek Mythology")	Macau/Macau	4,851 ordinary shares of MOP1 each	24.8%	Provision of casino management services including sales, promotion, advertising, patron referral, patron development and coordination of casino activities

The associate is accounted for using the equity method in the consolidated financial statements.

Summarised financial information of the material associate, adjusted for any differences in accounting policies, and reconciled to the carrying amount in the consolidated financial statements are disclosed below.

	2018 HK\$'000	2017 HK\$'000
Gross amounts of the associate's		
Total assets	5,037,959	5,037,959
Total liabilities	(234,694)	(234,694)
Equity	4,803,265	4,803,265
Revenue	N/A	N/A
Profit/(loss)	N/A	N/A
Reconciliation to the Group's interest in the associate		
Gross amounts of net assets of the associate	4,803,265	4,803,265
Group's effective interest	24.8%	24.8%
Group's share of net assets of the associate	1,191,209	1,191,209
Impairment	(837,641)	(837,641)
Carrying amount in the consolidated financial statements	353,568	353,568

The above summarised financial information of Greek Mythology is based on its unaudited financial information for the year ended 31 March 2012 adjusted by the Group to account for an intangible asset of Greek Mythology.

Since the financial information for the years ended 31 March 2018, 2017, 2016, 2015, 2014 and 2013 of Greek Mythology is not available, the interest in the associate was accounted for in the consolidated financial statements under the equity method using the unaudited financial information of the associate as at 31 March 2012. The carrying amount of the interest in an associate of HK\$1,191,209,000 brought forward from 1 April 2013 was carried forward to 31 March 2018.

Notes to Consolidated Financial Statements

For the year ended 31 March 2018 (Expressed in Hong Kong dollars)

18. INTEREST IN AN ASSOCIATE (CONTINUED)

Included in the non-current assets of the associate as at 31 March 2012 is an intangible asset of HK\$2,386,373,000 which relates to Greek Mythology's right of receiving a percentage of net gaming wins of Greek Mythology Casino in Macau for the provision of casino management services including sales, promotion, advertising, patron referral, patron development and coordination of casino activities to Sociedade De Jogos De Macau, S.A, the operator of the Greek Mythology Casino, for a period of 14 years from 1 April 2006. Taking into consideration the market information, the internal information relating to the gaming related operations of Greek Mythology and the valuation of the external valuers, the Group estimates the recoverable amount and makes assessment for impairment of the intangible asset.

During the year, the Group assessed the recoverable amounts of investment in associate and no impairment losses (2017: impairment loss of HK\$837,641,000) was recognised in the consolidated statement of profit or loss. The recoverable amount has been determined based on a value in use calculation using cash flow projections based on financial budgets on the market performance covering a five-year period approved by senior management. The discount rate applied to cash flow projections is 19% per annum. The growth rate used to extrapolate the cash flows of the group of cash-generating units beyond the five-year period is 3% per annum which is based on its expectations in relation to market development. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted revenue and gross margin, such estimation is based on the market performance. Senior management believed that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the associate to exceed the aggregate recoverable amount.

19. DERIVATIVE FINANCIAL ASSET

	2018 HK\$'000	2017 HK\$'000
As at 1 April	—	—
Acquisition of subsidiaries	378	—
Fair value changes reclassified to profit or loss	(222)	—
As at 31 March	156	—

Contingent consideration for business combination

Contingent consideration for business combination — Derivative financial asset is initially and subsequently measured at fair value, with changes in fair values in subsequent accounting periods being recognised in profit or loss. For the detail of the contingent consideration, please refer to note 28.

Notes to Consolidated Financial Statements

For the year ended 31 March 2018 (Expressed in Hong Kong dollars)

20. TRADE AND OTHER RECEIVABLES

	2018 HK\$'000	2017 HK\$'000
Trade receivables (a)	2,618	–
Other receivables (b)	20,655	3,272
Due from an associate (c)	26,100	21,300
Rental and other deposits	2,360	2,356
Loans and receivables	51,733	26,928
Prepayments	1,115	189
	52,848	27,117

(a) Trade receivables

	2018 HK\$'000	2017 HK\$'000
Trade receivables	2,618	–

The following is an aged analysis of trade receivables based on the invoice date at the end of the reporting period:

	2018 HK\$'000	2017 HK\$'000
0–90 days	2,118	–
Over 180 days, but within 1 year	500	–
	2,618	–

Ageing of trade receivables which are past due but not impaired:

	2018 HK\$'000	2017 HK\$'000
Over 180 days	500	–

Notes to Consolidated Financial Statements

For the year ended 31 March 2018 (Expressed in Hong Kong dollars)

20. TRADE AND OTHER RECEIVABLES (CONTINUED)

(b) Other receivables

	2018 HK\$'000	2017 HK\$'000
Other receivables	45,955	28,572
Less: Impairment loss	(25,300)	(25,300)
	20,655	3,272

Movement of allowance for impairment losses on other receivables are analysed as follows:

	2018 HK\$'000	2017 HK\$'000
At the beginning and at the end of the year	25,300	25,300

An allowance for impairment loss of HK\$25,300,000 (2017: HK\$25,300,000) was recognised based upon the Directors' estimation of the recoverable amount.

(c) Due from an associate

	2018 HK\$'000	2017 HK\$'000
Due from an associate	89,667	84,867
Less: impairment loss	(63,567)	(63,567)
	26,100	21,300

Movement of allowance for impairment losses due from an associate are analysed as follows:

	2018 HK\$'000	2017 HK\$'000
At the beginning	63,567	–
Impairment loss recognised	–	63,567
At the end of the year	63,567	63,567

The amount due from Greek Mythology, the associate of the Company, is unsecured, non-interest-bearing and has no fixed terms of repayment. No impairment loss (2017: impairment loss of approximately HK\$63,567,000) was recognised based upon the Directors' estimation of the recoverable amount.

Notes to Consolidated Financial Statements

For the year ended 31 March 2018 (Expressed in Hong Kong dollars)

21. TRADE AND OTHER PAYABLES

	2018 HK\$'000	2017 HK\$'000
Accruals and other payables (a)	204,380	201,474
Due to related companies (b)	484	484
	204,864	201,958

All the trade and other payables are expected to be settled within one year.

- (a) Included in Group's accruals and other payables as at 31 March 2018, represents the payable of promissory notes amounted to HK\$190,000,000 (2017: HK\$190,000,000). For details, please refer to note 24.
- (b) The amounts due to related companies are unsecured, non-interest-bearing and repayable on demand.

22. OBLIGATIONS UNDER A FINANCE LEASE

The Group leases certain of its motor vehicles. These leases are classified as finance leases and have remaining lease terms not exceeding 5 years. The effective borrowing rate was 2% (2017: 2%) per annum. The leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payment:

	Minimum lease payments	Present value of minimum lease payments	
	At 2018 HK\$'000	At 2017 HK\$'000	
Amounts payable:			
Within one year	411	411	403
In the second year	34	411	33
In the third to fifth years, inclusive	—	34	—
Total minimum finance lease payments	445	856	436
Future finance charges	(9)	(27)	
Total net finance lease payables	436	829	
Portion classified as current liabilities	403	380	
Non-current portion	33	449	

23. OTHER BORROWINGS

Other borrowings with amount HK\$1,600,000 (2017: HK\$1,000,000) are unsecured, interest bearing from 36% to 42% (2017: 36% to 48%) per annum and repayable within three months.

Other borrowings with amount HK\$8,700,000 (2017: HK\$2,750,000) are unsecured, interest bearing from 24% to 42% (2017: interest free) and repayable within one year.

Notes to Consolidated Financial Statements

For the year ended 31 March 2018 (Expressed in Hong Kong dollars)

23. OTHER BORROWINGS (CONTINUED)

Movement of the other borrowings is as follows:

	2018 HK\$'000	2017 HK\$'000
At 1 April	3,750	4,260
Addition	9,140	3,750
Repayment	(2,590)	(4,260)
At 31 March	10,300	3,750

24. PROMISSORY NOTES

	2018 HK\$'000	2017 HK\$'000
At the beginning of the year	—	39,998
Issuance of promissory notes	14,000	—
Fair value adjustment	(1,510)	—
Effective interest on promissory notes (<i>Note 7</i>)	326	2
Transfer promissory notes to other payables (<i>Notes c, d</i>)	—	(40,000)
At the end of the year	12,816	—
Portion classified as current liabilities	—	—
Non-current portion	12,816	—

Notes:

(1) On 18 October 2017, the Company issued unsecured promissory notes with principal value of HK\$14,000,000 for the acquisition of Explicitly Grand Investments Limited. The promissory notes are interest free and fall due on 17 October 2019. The fair values of the promissory notes at date of issuance was HK\$12,490,000. The promissory notes are subsequently measured at amortised cost, using effective interest rate of 5.87%. As at 31 March 2018, imputed interest of approximately HK\$326,000 was charged to profit or loss.

(2) In 2006, the Company issued promissory notes to directors of Greek Mythology and certain independent third parties with total face value of approximately HK\$1,454,722,000 as part of the consideration for the further 30% equity interest in Greek Mythology. The promissory notes were unsecured, non-interest bearing and repayable in 2016.

Interest expense on promissory notes was calculated using the effective interest method by applying the effective interest rate of 7% per annum to the fair value of the promissory notes and was added to the carrying value of the promissory notes and charged to profit or loss.

(a) Pursuant to a subscription agreement (the "Subscription Agreement") entered into between the Company and a shareholder and director of the Company, Mr. Ng Man Sun, ("Mr. Ng") irrevocably undertook and guaranteed the Company that the irrecoverable debts from certain collaborators of AMA International Limited ("AMA") should not be more than HK\$50,000,000 for the year ended 31 March 2010. Otherwise, Mr. Ng would compensate the Company by offsetting against his promissory notes for the excess with a cap of face value of HK\$300,000,000.

In addition, during the year ended 31 March 2010, Mr. Ng irrevocably undertook and guaranteed the Company the repayment of debts due from the specified collaborators of AMA of up to HK\$300,000,000 on security of other promissory notes with a total face value of HK\$300,000,000.

During the year ended 31 March 2010, AMA made an allowance for impairment of bad and doubtful debts of approximately HK\$2,515,674,000 which included the amounts due from specific collaborators.

As a result, approximately HK\$400,106,000 was deducted from the face value of the promissory notes of HK\$600,000,000 held by Mr. Ng to offset against the bad and doubtful debts in AMA and recognised in the consolidated income statement for the year ended 31 March 2010.

Notes to Consolidated Financial Statements

For the year ended 31 March 2018 (Expressed in Hong Kong dollars)

24. PROMISSORY NOTES (CONTINUED)

Notes: (CONTINUED)

(2) (CONTINUED)

- (b) The loans to promissory notes holders were fully set-off against the face value of the promissory notes. The accrued loan interest was recognised in the consolidated statement of profit or loss.
- (c) On 18 March 2016, the Company issued a writ of summons in the Court of First Instance of the High Court of Hong Kong claiming against Ms. Lee Bing ("Ms. Lee") for the followings:
1. a declaration that the promissory note issued by the Company to Ms. Lee was issued by mistake and without consideration;
 2. an order that Ms. Lee to deliver the promissory note to the Company;
 3. an injunction to restrain Ms. Lee whether by herself, her servants or agents or otherwise howsoever from negotiating or indorsing the promissory note;
 4. further and other relief; and
 5. costs.

The promissory note had matured on 22 March 2016. Since it was under litigation, the HK\$150,000,000 balance was transferred to other payables and no interest was incurred after maturity.

- (d) On 15 September 2016, the Company issued a writ of summons in the Court of First Instance of the High Court of Hong Kong claiming against Mr. Wu Weide ("Mr. Wu") for the followings:
1. a declaration that the promissory notes for the aggregate sum of HK\$150,000,000 issued by the Company to Mr. Huang Jian Nan ("Mr. Huang") were issued by mistake, and therefore the promissory note for the amount of HK\$40,000,000 issued by the Company to Mr. Wu is null and void;
 2. an order that Mr. Wu to deliver the promissory note to the Company;
 3. an injunction to restrain Mr. Wu whether by himself, his servants or agents or otherwise howsoever from negotiating or indorsing the promissory note;
 4. further and other relief; and
 5. costs.

The promissory note had matured on 18 September 2016. Since it was under litigation, HK\$40,000,000 balance was transferred to other payables and no interest was incurred after maturity.

Notes to Consolidated Financial Statements

For the year ended 31 March 2018 (Expressed in Hong Kong dollars)

25. DEFERRED TAX LIABILITIES

The movements in the Group's net deferred tax liabilities were as follows:

	2018 HK\$'000	2017 HK\$'000
As at 1 April	—	—
Acquisition of subsidiaries	3,991	—
Less: Deferred tax credit resulting from amortisation of intangible asset	(375)	—
As at 31 March	3,616	—
	2018 HK\$'000	2017 HK\$'000
Unrecognised deferred tax assets arising from Deductible temporary differences	48	—

Deferred tax assets have not been recognised because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

26. CAPITAL AND RESERVES

(a) Share capital

	2018 Number of shares '000	2018 Amount HK\$'000	2017 Number of shares '000	2017 Amount HK\$'000
Authorised:				
Ordinary shares of HK\$0.2 each	2,000,000	400,000	2,000,000	400,000
Issued and fully paid:				
At 1 April	599,799	119,960	327,933	65,587
Shares issued under placing	62,000	12,400	26,600	5,320
Shares issued under open offer	—	—	163,966	32,793
Shares issued for acquisition of intangible assets through acquisition of subsidiaries	—	—	21,300	4,260
Issue of consideration shares	—	—	60,000	12,000
Exercise of share options	3,731	746	—	—
Shares issued for acquisition of subsidiaries	150,000	30,000	—	—
At 31 March	815,530	163,106	599,799	119,960

Notes to Consolidated Financial Statements

For the year ended 31 March 2018 (Expressed in Hong Kong dollars)

26. CAPITAL AND RESERVES (CONTINUED)

(a) Share capital (CONTINUED)

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(i) Shares issued under placing

For the year ended 31 March 2018

The Company completed three placing and top-up subscription activities for the year ended 31 March 2018. On each occasion, Mr. Ng Man Sun, the Chairman and Chief Executive Officer of the Company and the beneficial owner of 51,234,626 ordinary shares of HK\$0.2 each of the Company (the "Subscriber"), the Company and the placing agent entered into a placing and subscription agreement pursuant to which (i) the placing agent have agreed to act as agent for the Subscriber to place, on a best commercial efforts basis, and the Subscriber has agreed to sell, certain numbers of existing ordinary shares of HK\$0.2 each of the Company to not less than six placees who and whose ultimate beneficial owners will be third parties independent of and not acting in concert (as defined under the Takeovers Code) with the Subscriber, the Company and their respective associates and connected persons, at respective price per share as detailed below; and (ii) the Subscriber has conditionally agreed to subscribe for the same number of new ordinary shares of HK\$0.2 each of the Company at the same issue price per share as detailed below.

Date of placing and subscription agreement	24 May 2017	6 September 2017	28 September 2017
Number of shares	16,000,000	16,000,000	30,000,000
Issue price per share (HK\$)	0.43	0.35	0.36
Aggregate issuance value (HK\$)	6.88 million	5.60 million	10.80 million
Date of completion of placing	31 May 2017	13 September 2017	4 October 2017
Date of completion of subscription	5 June 2017	20 September 2017	12 October 2017
Net price per share (HK\$)	0.43	0.33	0.34
Market price per share on the date of the placing and subscription agreement (HK\$)	0.44	0.36	0.35

The Directors consider that the above placing activities represent opportunities for the Company to raise capital and broaden the Company's shareholders' base and capital base. The proceeds from these placings will be utilised for general working capital and investment of the Group.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, all placees of each placing activity are independent third parties. The placees have not become a substantial shareholder (as defined under the Listing Rules) immediately after each placing.

Up to the date of this report, the proceeds from these placings were used for payment of the Company's general and administrative expenses and investment in Vanuatu gaming business.

Notes to Consolidated Financial Statements

For the year ended 31 March 2018 (Expressed in Hong Kong dollars)

26. CAPITAL AND RESERVES (CONTINUED)

(a) Share capital (CONTINUED)

(i) Shares issued under placing (CONTINUED)

For the year ended 31 March 2017

The Company completed two placing and top-up subscription activities for the year ended 31 March 2017. On each occasion, Mr. Ng Man Sun, the Chairman and Chief Executive Officer of the Company and the beneficial owner of 47,412,366 ordinary shares of HK\$0.2 each of the Company (the "Subscriber"), the Company and the placing agent entered into a placing and subscription agreement pursuant to which (i) the placing agent have agreed to act as agent for the Subscriber to place, on a best commercial efforts basis, and the Subscriber has agreed to sell, certain numbers of existing ordinary shares of HK\$0.2 each of the Company to not less than six placees who and whose ultimate beneficial owners will be third parties independent of and not acting in concert (as defined under the Takeovers Code) with the Subscriber, the Company and their respective associates and connected persons, at respective price per share as detailed below; and ii) the Subscriber has conditionally agreed to subscribe for the same number of new ordinary shares of HK\$0.2 each of the Company at the same issue price per share as detailed below.

Date of placing and subscription agreement	10 November 2016	10 February 2017
Number of shares	13,600,000	13,000,000
Issue price per share (HK\$)	0.53	0.50
Aggregate issuance value (HK\$)	7.2 million	6.5 million
Date of completion of placing	17 November 2016	15 February 2017
Date of completion of subscription	21 November 2016	22 February 2017
Net price per share (HK\$)	0.52	0.47
Market price per share on the date of the placing and subscription agreement (HK\$)	0.64	0.60

Notes to Consolidated Financial Statements

For the year ended 31 March 2018 (Expressed in Hong Kong dollars)

26. CAPITAL AND RESERVES (CONTINUED)

(a) Share capital (CONTINUED)

(i) Shares issued under placing (CONTINUED)

For the year ended 31 March 2017 (CONTINUED)

The Directors consider that the above placing activities represent opportunities for the Company to raise capital and broaden the Company's shareholders' base and capital base. The proceeds from these placings will be utilised for general working capital and investment of the Group.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, all placees of each placing activity are independent third parties. The placees have not become a substantial shareholder (as defined under the Listing Rules) immediately after each placing.

Up to the date of this report, the proceeds from these placings were used for payment of the Company's general and administrative expenses and investment in Vanuatu gaming business.

(ii) Shares issued under open offer

On 16 May 2016, the Company issued 163,966,393 ordinary shares, on the basis of one offer share for every two existing shares held by the shareholders of the Company at a subscription price of HK\$0.2 per share through an open offer. The net proceeds of approximately HK\$30 million are intended to be used as investment in gaming business and general working capital purpose.

(iii) Shares issued for acquisition of intangible assets through acquisition of subsidiaries

On 26 July 2016, 21,300,000 new ordinary shares were issued as the second tranche consideration shares and additional consideration shares for the acquisition of 60% equity interests in Forenzia Enterprises Limited. Share capital and share premium of approximately HK\$4 million and HK\$35 million respectively were recorded.

(iv) Issue of consideration shares

On 30 March 2017, 60,000,000 new ordinary shares of HK\$0.51 each of the Company were issued as the consideration shares for the acquisition of mobile game applications. Share capital and share premium of approximately HK\$12 million and HK\$18.6 million respectively were recorded based on the quoted price of the shares as at the date of acquisition.

(v) Exercise of share options

During the year ended 31 March 2018, 3,731,000 share options were exercised to subscribe for 3,731,000 ordinary shares in the Company at a consideration of HK\$1,380,000 of which HK\$746,000 was credited to share capital and the balance HK\$634,000 was credited to the share premium account. Amounts of approximately HK\$649,000 has been transferred from the capital reserve to the share premium account in accordance with policy set out in note 3.

Notes to Consolidated Financial Statements

For the year ended 31 March 2018 (Expressed in Hong Kong dollars)

26. CAPITAL AND RESERVES (CONTINUED)

(a) Share capital (CONTINUED)

(vi) *Shares issued for acquisition of subsidiaries*

On 18 October 2017, 150,000,000 new ordinary shares of HK\$0.33 each of the Company were issued as the consideration shares for the acquisition of Explicitly Grand Investments Limited. Share capital and share premium of approximately HK\$30 million and HK\$19.5 million respectively were recorded based on the quoted price of the shares as at the date of acquisition.

(b) Nature and purpose of reserves

(i) *Share premium*

The application of share premium is governed by Section 40 of the Bermuda Companies Act 1981.

(ii) *Special reserve*

The special reserve of the Group represents the difference between the nominal amount of the shares of the subsidiaries acquired and the nominal value of the Company's shares issued for the acquisition pursuant to the corporate reorganisation prior to the listing of the Company's shares.

(iii) *Contributed surplus*

The contributed surplus of the Company represents the differences between the consolidated shareholders' funds of subsidiaries at the date on which they were acquired by the Company and the nominal amount of the shares of the Company issued under the corporate reorganisation. Under The Companies Act 1981 of Bermuda (as amended), the contributed surplus of the Company is available for distribution to shareholders.

(iv) *Capital reserve*

The capital reserve comprises the fair value of the unexercised share options granted to employees and service provider of the Company recognised in accordance with the accounting policy set out in note 3(q).

(v) *Exchange reserve*

The exchange reserve comprises all foreign exchange differences on translation of the financial statements of overseas subsidiaries. The reserve is dealt with in accordance with accounting policy set out in note 3(o).

(vi) *Other reserve*

The other reserve of the Group represents the change in net assets attributable to the Group in relation to change in ownership interest in subsidiary.

Notes to Consolidated Financial Statements

For the year ended 31 March 2018 (Expressed in Hong Kong dollars)

26. CAPITAL AND RESERVES (CONTINUED)

(c) Distributable reserves

As at 31 March 2018, the aggregate amount of reserves of the Company available for distribution to owners of the Company is HK\$Nil (2017: HK\$Nil).

(d) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders by pricing the services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholders returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of a net debt-to-capital ratio. For this purpose the Group defines net debt as total debt (which includes interest-bearing loans and borrowings, promissory notes and trade and other payables) less cash and cash equivalents. Capital comprises all components of equity.

During 2017, the Group's strategy was to maintain a net debt-to-capital ratio of no more than 70%. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares or return capital to shareholders, raise new debt financing or sell assets to reduce debt. The net debt-to-capital ratio as at 31 March 2018 and 2017 is as follow:

	2018 HK\$'000	2017 HK\$'000
Current liabilities		
Trade and other payables	204,864	201,958
Obligations under a finance lease	403	380
Other borrowings	10,300	3,750
Non-current liabilities		
Obligations under a finance lease	33	449
Promissory notes	12,816	-
Total debt	228,416	206,537
Less: cash and cash equivalents	(1,759)	(1,175)
Net debt	226,657	205,362
Total equity	359,165	332,862
Adjusted net debt-to-capital ratio	63%	62%

Neither the Company nor any of its subsidiaries is subject to externally imposed capital requirements.

Notes to Consolidated Financial Statements

For the year ended 31 March 2018 (Expressed in Hong Kong dollars)

27. SHARE OPTION SCHEME

2012 Scheme

The Company's new share option scheme (the "2012 Scheme"), which was adopted pursuant to an ordinary resolution passed by the shareholders of the Company on 12 September 2012 for the purpose of providing incentives to certain eligible participants and unless otherwise cancelled or amended, will expire on 11 September 2022. Under the 2012 Scheme, the Directors may grant share options to eligible employees, including Executive Directors, or any persons or entities who have contributed or will contribute to the growth and development of the Group, to subscribe for shares in the Company.

Under the 2012 Scheme, the Directors may grant options to the following eligible participants:

- (i) any employee, executives or officers or proposed employees, executives or officers (whether full time or part time and including any Executive Director) of the Company, and of its subsidiaries or any entity (the "Invested Entity") in which the Group holds any equity interests and any of such subsidiaries or any Invested Entity;
- (ii) any Non-executive Directors (including Independent Non-executive Directors) of the Company and any of its subsidiaries or any Invested Entity;
- (iii) any supplier of goods or services to any member of the Group or any Invested Entity;
- (iv) any customer of the Group or any Invested Entity;
- (v) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity; and
- (vi) any person or entity who from time to time determined by the board of directors as having contributed or may contribute to the development and growth of the Group based on his or its performance and/or years of service, or is regarded as valuable resources of the Group based on his/its working experience, knowledge in the industry and other relevant factors.

The total numbers of shares which may be issued upon exercise of all options to be granted under the 2012 Scheme of the Company must not in aggregate exceed 10% of the shares in issue at the date of approval of the 2012 Scheme. The total number of shares available for issue under the 2012 Scheme is 415,265,572 shares (25,773,458 shares after share consolidation and open offer), representing approximately 10% of the shares in issue as at the date of approval of the 2012 Scheme on 12 September 2012.

Notes to Consolidated Financial Statements

For the year ended 31 March 2018 (Expressed in Hong Kong dollars)

27. SHARE OPTION SCHEME (CONTINUED)

2012 Scheme (CONTINUED)

The number and exercise prices of the shares options are adjusted as a result of the completion of open offer on 16 May 2016 in the proportion of one offer share for every two existing shares held. The exercise prices shown as below represent the adjusted exercise prices as at 31 March 2017.

	2018		2017	
	Number of options	Weighted average exercise price HK\$	Number of options	Weighted average exercise price HK\$
At beginning of reporting period	22,281,000	0.906	12,850,000	1.388
Granted during the year	29,330,000	0.297	5,100,000	0.459
Exercised during the year	(3,731,000)	0.370	–	–
Lapsed during the year	(248,000)	1.345	–	–
Adjustment upon open offer effective on 16 May 2016	–	–	4,331,000	–
Outstanding at end of reporting period	47,632,000	0.570	22,281,000	0.906
Exercisable at end of reporting period	47,632,000	0.570	22,281,000	0.906

At the annual general meeting held on 9 August 2016, shareholders have approved to refresh the general mandate limit that the total number of shares which may be issued upon exercise of all options to be granted under the 2012 Scheme must not exceed 10% of the shares of the Company in issue on the date of that annual general meeting. A total of 51,319,917 options to subscribe for a total of 51,319,917 shares, representing 10% of the total number of shares in issue as at the annual general meeting on 9 August 2016, were approved to be granted.

The maximum number of shares in respect of which options may be granted under the 2012 Scheme must not in aggregate exceed 30% of the shares of the Company in issue from time to time. The number of shares in respect of which options may be granted to any participant is not permitted to exceed 1% of the shares of the Company in issue during the 12-month period before the date of grant without prior approval from the Company's shareholders. Any grant of options under the 2012 Scheme to a Director, chief executive or substantial shareholder of the Company or any of their respective associates (as defined under the Listing Rules) must be approved by the Independent Non-executive Directors of the Company. In addition, any grant of options to a substantial shareholder or an Independent Non-executive Director or any of their respective associates in excess of 0.1% of the shares of the Company in issue and with an aggregate value (based on the closing price of the Company's shares at the date of grant) in excess of HK\$5 million within any 12-month period must be approved by shareholders of the Company in general meeting.

Notes to Consolidated Financial Statements

For the year ended 31 March 2018 (Expressed in Hong Kong dollars)

27. SHARE OPTION SCHEME (CONTINUED)

2012 Scheme (CONTINUED)

Unless otherwise determined by the Directors of the Company and stated in the offer of the grant of options to a grantee, there is no minimum period required under the 2012 Scheme for holding of an option before it can be exercised.

An offer for the grant of options to a grantee shall be accepted by no later than 28 days from the date of offer. HK\$1 per grant of options is payable on the acceptance of the grant of options. Options may be exercised in accordance with the terms of the 2012 Scheme and expiring in accordance with the terms of the 2012 Scheme or upon the expiry of the tenth anniversary of the 2012 Scheme, whichever is the earlier.

The exercise price is determined by the Directors of the Company, and shall not be less than the highest of (i) the closing price of the Company's shares as stated in the daily quotations sheets of the Stock Exchange on the date of the offer of grant; (ii) the average closing price of the Company's shares as stated in the daily quotations sheets of the Stock Exchange for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the Company's share.

The 2012 Scheme will remain in force for a period of 10 years commencing on 12 September 2012.

Notes to Consolidated Financial Statements

For the year ended 31 March 2018 (Expressed in Hong Kong dollars)

27. SHARE OPTION SCHEME (CONTINUED)

2012 Scheme (CONTINUED)

(a) Movements of the number of share options

For the year ended of 31 March 2018

Name of category	Type	Number of share option					Exercise price HK\$ (note 2)		
		Outstanding at 1 April 2017	Granted	Exercised	Lapsed	Outstanding at 31 March 2018	Date of grant	Exercised period	
Directors									
Ng Man Sun	2013 (Note 1)	248,000	-	-	-	248,000	5 February 2013	5 February 2013–4 February 2023	1.241
	2014	248,000	-	-	-	248,000	3 March 2014	3 March 2014–2 March 2024	1.345
	2015	248,000	-	-	-	248,000	10 March 2015	10 March 2015–9 March 2025	0.701
	2016	248,000	-	(248,000)	-	-	25 April 2016	25 April 2016–24 April 2026	0.370
	2017	-	6,100,000	-	-	6,100,000	1 December 2017	1 December 2017–30 November 2027	0.280
Ng Wai Yee	2013 (Note 1)	248,000	-	-	-	248,000	5 February 2013	5 February 2013–4 February 2023	1.241
	2014	248,000	-	-	-	248,000	3 March 2014	3 March 2014–2 March 2024	1.345
	2015	248,000	-	-	-	248,000	10 March 2015	10 March 2015–9 March 2025	0.701
	2016	248,000	-	-	-	248,000	25 April 2016	25 April 2016–24 April 2026	0.370
	2017	-	6,100,000	-	-	6,100,000	1 December 2017	1 December 2017–30 November 2027	0.280
Yeung Pui Han, Regina	2013 (Note 1)	248,000	-	-	-	248,000	5 February 2013	5 February 2013–4 February 2023	1.241
	2014	248,000	-	-	-	248,000	3 March 2014	3 March 2014–2 March 2024	1.345
	2015	248,000	-	-	-	248,000	10 March 2015	10 March 2015–9 March 2025	0.701
	2016	248,000	-	-	-	248,000	25 April 2016	25 April 2016–24 April 2026	0.370
	2017	-	610,000	-	-	610,000	1 December 2017	1 December 2017–30 November 2027	0.280
Li Chi Fai	2014	248,000	-	-	-	248,000	3 March 2014	3 March 2014–2 March 2024	1.345
	2015	248,000	-	-	-	248,000	10 March 2015	10 March 2015–9 March 2025	0.701
	2016	248,000	-	-	-	248,000	25 April 2016	25 April 2016–24 April 2026	0.370
	2017	-	610,000	-	-	610,000	1 December 2017	1 December 2017–30 November 2027	0.280
Sie Nien Che, Celia	2014	248,000	-	-	-	248,000	3 March 2014	3 March 2014–2 March 2024	1.345
	2016	248,000	-	-	-	248,000	25 April 2016	25 April 2016–24 April 2026	0.370
	2017	-	610,000	-	-	610,000	1 December 2017	1 December 2017–30 November 2027	0.280
		<u>4,216,000</u>	<u>14,030,000</u>	<u>(248,000)</u>	<u>-</u>	<u>17,998,000</u>			
Eligible employees	2013 (Note 1)	1,553,000	-	-	-	1,553,000	5 February 2013	5 February 2013–4 February 2023	1.241
	2014	2,607,000	-	-	(248,000)	2,359,000	3 March 2014	3 March 2014–2 March 2024	1.345
	2015	2,607,000	-	-	-	2,607,000	10 March 2015	10 March 2015–9 March 2025	0.701
	2016	2,607,000	-	(1,000,000)	-	1,607,000	25 April 2016	25 April 2016–24 April 2026	0.370
	2017	-	6,200,000	-	-	6,200,000	1 December 2017	1 December 2017–30 November 2027	0.280
		<u>9,374,000</u>	<u>6,200,000</u>	<u>(1,000,000)</u>	<u>(248,000)</u>	<u>14,326,000</u>			
Service providers	2013 (Note 1)	2,483,000	-	-	-	2,483,000	5 February 2013	5 February 2013–4 February 2023	1.241
	2014	2,483,000	-	-	-	2,483,000	3 March 2014	3 March 2014–2 March 2024	1.345
	2015	1,242,000	-	-	-	1,242,000	10 March 2015	10 March 2015–9 March 2025	0.701
	2016	2,483,000	-	(2,483,000)	-	-	25 April 2016	25 April 2016–24 April 2026	0.370
	2017	-	6,100,000	-	-	6,100,000	1 December 2017	1 December 2017–30 November 2027	0.280
	2018	-	2,000,000	-	-	2,000,000	18 January 2018	18 January 2018–17 January 2019	0.365
		<u>8,691,000</u>	<u>9,100,000</u>	<u>(2,483,000)</u>	<u>-</u>	<u>15,308,000</u>			
Total		<u>22,281,000</u>	<u>29,330,000</u>	<u>(3,731,000)</u>	<u>(248,000)</u>	<u>47,632,000</u>			
Weighted average exercise price		0.906	0.297	0.370	1.345	0.57			

Notes to Consolidated Financial Statements

For the year ended 31 March 2018 (Expressed in Hong Kong dollars)

27. SHARE OPTION SCHEME (CONTINUED)

2012 Scheme (CONTINUED)

(a) Movements of the number of share options (CONTINUED)

For the year ended of 31 March 2017

Name of category	Type	Number of share option					Exercised period	Exercise price HK\$ (note 2)	
		Outstanding at 1 April 2016	Granted	Lapsed	Adjustments	Outstanding at 31 March 2017	Date of grant		
Directors									
Ng Man Sun	2013 (Note 1)	200,000	-	-	48,000	248,000	5 February 2013	5 February 2013-4 February 2023	
	2014	200,000	-	48,000	248,000	3 March 2014	3 March 2014-2 March 2024	1.241 1.345	
	2015	200,000	-	48,000	248,000	10 March 2015	10 March 2015-9 March 2025	0.701	
	2016	-	200,000	-	48,000	248,000	25 April 2016	25 April 2016-24 April 2026	0.370
Ng Wai Yee	2013 (Note 1)	200,000	-	-	48,000	248,000	5 February 2013	5 February 2013-4 February 2023	
	2014	200,000	-	48,000	248,000	3 March 2014	3 March 2014-2 March 2024	1.241 1.345	
	2015	200,000	-	48,000	248,000	10 March 2015	10 March 2015-9 March 2025	0.701	
	2016	-	200,000	-	48,000	248,000	25 April 2016	25 April 2016-24 April 2026	0.370
Yeung Pui Han, Regina	2013 (Note 1)	200,000	-	-	48,000	248,000	5 February 2013	5 February 2013-4 February 2023	
	2014	200,000	-	48,000	248,000	3 March 2014	3 March 2014-2 March 2024	1.241 1.345	
	2015	200,000	-	48,000	248,000	10 March 2015	10 March 2015-9 March 2025	0.701	
	2016	-	200,000	-	48,000	248,000	25 April 2016	25 April 2016-24 April 2026	0.370
Li Chi Fai	2014	200,000	-	-	48,000	248,000	3 March 2014	3 March 2014-2 March 2024	1.241 1.345
	2015	200,000	-	48,000	248,000	10 March 2015	10 March 2015-9 March 2025	0.701	
	2016	-	200,000	-	48,000	248,000	25 April 2016	25 April 2016-24 April 2026	0.370
Sie Nien Che, Celia	2014	200,000	-	-	48,000	248,000	3 March 2014	3 March 2014-2 March 2024	1.241 1.345
	2016	-	200,000	-	48,000	248,000	25 April 2016	25 April 2016-24 April 2026	0.370
		2,400,000	1,000,000	-	816,000	4,216,000			
Eligible employees	2013 (Note 1)	1,250,000	-	-	303,000	1,553,000	5 February 2013	5 February 2013-4 February 2023	
	2014	2,100,000	-	-	507,000	2,607,000	3 March 2014	3 March 2014-2 March 2024	1.241 1.345
	2015	2,100,000	-	-	507,000	2,607,000	10 March 2015	10 March 2015-9 March 2025	0.701
	2016	-	2,100,000	-	507,000	2,607,000	25 April 2016	25 April 2016-24 April 2026	0.370
		5,450,000	2,100,000	-	1,824,000	9,374,000			
Service provider	2013 (Note 1)	2,000,000	-	-	483,000	2,483,000	5 February 2013	5 February 2013-4 February 2023	
	2014	2,000,000	-	-	483,000	2,483,000	3 March 2014	3 March 2014-2 March 2024	1.241 1.345
	2015	1,000,000	-	-	242,000	1,242,000	10 March 2015	10 March 2015-9 March 2025	0.701
	2016	-	2,000,000	-	483,000	2,483,000	25 April 2016	25 April 2016-24 April 2026	0.370
		5,000,000	2,000,000	-	1,691,000	8,691,000			
Total		12,850,000	5,100,000	-	4,331,000	22,281,000			
Weighted average exercise price		1.388	0.459	-	-	0.906			

Notes:

- The exercise price of the share options has been changed from HK\$0.077 to HK\$1.54 as a result of the share consolidation passed by the shareholders at a special general meeting of the Company held on 27 March 2013, whereby every 20 shares of the Company of HK\$0.01 each were consolidated into 1 new share of the company of HK\$0.20 each.
- The exercise price per share option was adjusted upon the completion of the open offer on 16 May 2016.

The options outstanding at 31 March 2018 had an exercise price ranging from HK\$0.280 to HK\$1.345 (2017: HK\$0.370 to HK\$1.345) and a weighted average remaining contractual life of 6.9 years (2017: 7.5 years).

Notes to Consolidated Financial Statements

For the year ended 31 March 2018 (Expressed in Hong Kong dollars)

27. SHARE OPTION SCHEME (CONTINUED)

2012 Scheme (CONTINUED)

(b) Fair value of share options and assumptions

(i) Grant to eligible employees

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on the Binomial Option Pricing Model. The contractual life of the share options is used as an input into this model. Expectations of early exercise are incorporated into the Binomial Option Pricing Model.

	1 December 2017	25 April 2016	10 March 2015	3 March 2014	5 February 2013
Fair value at measurement date	HK\$0.042- HK\$0.077	HK\$0.246- HK\$0.269	HK\$0.480- HK\$0.526	HK\$1.479	HK\$0.072
Share price	HK\$0.280	HK\$0.430	HK\$0.840	HK\$1.670	HK\$0.077
Exercise price	HK\$0.280	HK\$0.459	HK\$0.870	HK\$1.670	HK\$0.077
Expected validity (expressed as weighted average volatility used in modeling under the Binomial Option Price Model)	73.86%	74.14%	73.28%	100.31%	126.44%
Optional life (expressed as weighted average life used in the modeling under the Binomial Option Price Model)	10 years 0%	10 years 0%	10 years 0%	10 years 0%	10 years 0%
Expected dividends					
Risk-free interest rate (based on exchange fund notes)	1.847%	1.823%	1.685%	2.135%	1.245%

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a service condition. This condition has not been taken into account of fair value measurement of the services received on the grant date. There was no market conditions associated with the share option granted.

(ii) Grant to service provider

The fair value for share options granted on 18 January 2018, 3 March 2014 and 5 February 2013 is measured using the market-based approach, by reference to the discounted cash flows to estimate the fair value of the professional fees that should have been paid. The fair value for share options granted on 25 April 2016 and 10 March 2015 is measured base on the Binomial Option Pricing Model as described as above.

The equity-settled share-based payments charged to the profit or loss was HK\$3,740,000 (2017: HK\$1,124,000) for the year ended 31 March 2018.

At the end of the reporting period, the Company has 47,632,000 (2017: 22,281,000) share options outstanding. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in issue of 47,632,000 (2016: 22,281,000) additional ordinary shares of the Company and additional share capital of approximately HK\$9,526,000 (2016: HK\$4,456,200).

Notes to Consolidated Financial Statements

For the year ended 31 March 2018 (Expressed in Hong Kong dollars)

28. BUSINESS COMBINATION

(a) Business combination that took place in the year

On 18 October 2017, a subsidiary of the Company acquired 100% voting equity interest in Explicitly Grand Investments Limited in order to continue the Group's expansion of the "AR/VR and mobile games solutions" operation. The acquisition has been treated as a business combination. The details are as follows:

Principal activity of the acquiree	The Group's equity interest and voting power acquired %
Explicitly Grand Investments Limited	Investment holding 100
MostCore Limited	AR/VR and mobile games solutions 100
Inno Motion Limited	Not yet commence business 100

(b) Consideration transferred

	HK\$'000
Issuance promissory notes	12,490
Ordinary shares of the Company issued (Note 1)	49,500
Contingent consideration receivable (Note 2)	(378)
Total	61,612

Notes:

- 1) 150,000,000 ordinary shares of the Company were issued to the seller as part of the consideration for the acquisition. The fair value of ordinary shares measured at the date of acquisition was measured based on quoted market price of shares of the Company on the Hong Kong Stock Exchange.
- 2) On 18 July 2017 and 15 August 2017, the Group entered into a sale and purchase agreement and supplemental agreement with an independent third parties to acquire the entire equity interests of Explicitly Grand Investments Limited and its subsidiaries (the "Explicitly Grand Group"). The acquisition was completed on 18 October 2017.

Include in the sales and purchase agreement, there was a profit guarantee pursuant to which the Vendor guarantee to the Group that the net profit after tax not less than HK\$4.91 million for the year ending 31 March 2018, and there was a performance guarantee not less than HK\$6 million for the year ending 31 March 2019.

If the event that guaranteed profit and performance have not been met, compensation shall be paid by the Vendor to the Group. For the year ended 31 March 2018, the actual profit of Explicitly Grand Group has been met with the guaranteed profit for not less than HK\$4.91 million.

Notes to Consolidated Financial Statements

For the year ended 31 March 2018 (Expressed in Hong Kong dollars)

28. BUSINESS COMBINATION (CONTINUED)

(c) Details of assets and liabilities of the acquiree recognised on the date of acquisition

	HK'000
Property, plant and equipment	156
Intangible assets	24,188
Cash and cash equivalents	279
Trade and other receivables	702
Trade and other payables	(1,483)
Deferred tax liabilities	<u>(3,991)</u>
	19,851

(d) Goodwill arising on acquisition

	HK'000
Consideration transferred	61,612
Less: Identifiable net assets acquired	<u>(19,851)</u>
Goodwill arising on acquisition	41,761

Goodwill arose in the acquisition of Explicitly Grand Group because the consideration for the acquisition reflects the control premium as well as the future economic benefits expected to be generated from combining the acquiree's operation with the Group's operations.

Notes to Consolidated Financial Statements

For the year ended 31 March 2018 (Expressed in Hong Kong dollars)

28. BUSINESS COMBINATION (CONTINUED)

(d) Goodwill arising on acquisition (CONTINUED)

None of the goodwill arising on these acquisitions is expected to be deductible for tax purpose.

The initial accounting for the acquisition of Explicitly Grand Group has only been provisionally determined as the fair value estimates of the intangible assets (being non-competition agreements and contract backlog acquired) at the date of acquisition have not been finalised up to the date when the consolidated financial statements are authorised for issue. The amounts shown above are based on the best estimate of management of the Group.

(e) Net cash flow effect arising from the acquisition

	HK'000
Consideration paid in cash	—
Less: cash and cash equivalents acquired	<u>(279)</u>
Net cash inflow of cash and cash equivalents	<u>(279)</u>

(f) Performance of the acquiree from the date of acquisition up to the end of the reporting period

Deducted in the Group's loss for the year was HK\$3,553,000 generated by Explicitly Grand Investments Limited since the date of acquisition. The Group's revenue for the year included HK\$5,530,000 generated by Explicitly Grand Investments Limited since the date of acquisition.

Had the business combination been effected on 1 April 2017, the revenue of the Group from continuing operations would have been HK\$65,146,000, and the loss for the year from continuing operations would have been HK\$50,734,000.

Management of the Group considers that these 'pro-forma' numbers are just for reference only which the acquiree may or may not achieve these results in the future.

Notes to Consolidated Financial Statements

For the year ended 31 March 2018 (Expressed in Hong Kong dollars)

29. DISPOSALS OF SUBSIDIARIES

Disposal of Le Rainbow Worldwide Limited

On 22 June 2016, the Group disposed of entire equity interests in Le Rainbow Worldwide Limited and its subsidiaries to an independent third party with consideration of HK\$1,000. The gain on disposal was approximately HK\$5,159,000. All these subsidiaries were engaged in investment holding and provision of software, hardware, transmission network and marketing service to Guangxi Welfare Lottery Issue Centre.

The cash flow and the carrying amount of net assets of Le Rainbow Worldwide Limited and its subsidiaries sold at the date of disposal were as follows:

	22 June 2016 HK\$'000
Property, plant and equipment	455
Trade and other receivables	5,663
Cash and cash equivalents	1,911
Trade and other payables	<u>(12,288)</u>
Net liabilities disposed of	(4,259)
Consideration received	(1)
Non-controlling interests	(710)
Cumulative exchange differences in respect of the net assets of the subsidiary reclassified from equity to profit or loss on disposal of subsidiaries	<u>(189)</u>
Gain on disposal of subsidiaries	<u>5,159</u>
Cash consideration received	1
Cash and cash equivalent disposal of	<u>1,911</u>
Net cash outflow arising on disposal	<u>(1,910)</u>

Deregistration of Hong Kong Macau Express Limited

As at 31 March 2017, Hong Kong Macau Express Limited with no net assets or liabilities, and with non-controlling interests amounted to HK\$374,000, was deregistered. No consideration was paid or received. A gain on disposal of subsidiary of HK\$374,000 was recognised.

Deregistration of GMC Management Limited, Gold Faith Development Limited, Super Peak Limited, Tower Champion Limited, Win Gene Company Limited and Win Macau Express Limited

As at 31 March 2017, the Group also deregistered the above companies with no net assets or liabilities. No consideration was paid or received and no gain or loss on disposal was recorded.

Notes to Consolidated Financial Statements

For the year ended 31 March 2018 (Expressed in Hong Kong dollars)

30. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Major non-cash transactions

Save as transactions disclosed in notes 16, 22, 24 and 27 to the consolidated financial statements, the Group had no other major non-cash transactions during the years ended 31 March 2018 and 2017.

31. COMMITMENTS

(a) Operating lease commitments

At 31 March 2018, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2018 HK\$'000	2017 HK\$'000
Within one year	9,437	3,456
In the second to fifth year	14,796	576
	24,233	4,032

The Group is the lessee of a number of properties held under operating leases. The leases typically run for an initial period of 1 to 3 years. The leases do not include extension options. None of the leases includes contingent rentals.

Notes to Consolidated Financial Statements

For the year ended 31 March 2018 (Expressed in Hong Kong dollars)

32. MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

Remuneration of key management personnel of the Group, including amounts paid to the Company's Directors as disclosed in note 10 and certain of the highest paid employee as disclosed in note 11 is as follows:

	2018 HK\$'000	2017 HK\$'000
Salaries and other emoluments	6,414	7,169
Equity-settled share-based payments	1,435	590
Retirement scheme contributions	36	36
	7,885	7,795

Total remuneration is included in "staff costs" (see note 8(a)).

(b) Other related party transactions

In addition to the transactions disclosed elsewhere in these consolidated financial statements, the Group entered into the following material related party transactions:

	2018 HK\$'000	2017 HK\$'000
Fixed monthly income from investments in VIP gaming tables and slot machines related operations from Greek Mythology	4,800	4,800
Monthly expenses to technical supporting provided by 深圳市樂彩互動信息技術有限公司 (ii)	-	(1,676)

Notes:

- (i) Balances with related parties are disclosed in the consolidated statements of financial position and in notes 20 and 21.
- (ii) 深圳市樂彩互動信息技術有限公司 is the non-controlling shareholder of 南寧樂彩互動信息服務有限公司, an indirect non-wholly-owned subsidiary of the Company.

Notes to Consolidated Financial Statements

For the year ended 31 March 2018 (Expressed in Hong Kong dollars)

33. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets

	Loans and receivables	
	2018	2017
	HK\$'000	HK\$'000
Derivative financial asset	156	–
Trade receivables	2,618	–
Other receivables	20,655	3,272
Rental and other deposits	2,360	2,356
Due from an associate	26,100	21,300
Cash and cash equivalents	1,759	1,175
	53,648	28,103

Financial liabilities

	Financial liabilities at amortised cost	
	2018	2017
	HK\$'000	HK\$'000
Accruals and other payables	204,380	201,474
Due to related companies	484	484
Obligations under a finance lease	436	829
Other borrowings	10,300	3,750
Promissory notes	12,816	–
	228,416	206,537

Notes to Consolidated Financial Statements

For the year ended 31 March 2018 (Expressed in Hong Kong dollars)

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group's exposure to those risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk was primarily attributable to amount due from an associate, rental and other deposit, other receivables and cash and cash equivalent. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of amount due from an associate, the Group may suffer financial losses if the associate defaults in settling the balance. However, the directors consider this balance is fully recoverable.

Substantially, all the Group's cash and cash equivalents are deposited in the banks in Hong Kong. The credit risk on bank balances is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 20.

Notes to Consolidated Financial Statements

For the year ended 31 March 2018 (Expressed in Hong Kong dollars)

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of borrowings to cover expected cash demands, subject to approval by the Company's board of directors when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major loan lenders to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on current rates at the end of the reporting period) and the earliest date the Group can be required to pay:

	2018				
	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
	Carrying amount HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Obligations under a finance lease	436	445	411	34	–
Promissory notes	12,816	14,000	–	14,000	–
Trade and other payables	204,864	204,864	204,864	–	–
Other borrowings	10,300	11,837	11,837	–	–
	228,416	231,146	217,112	14,034	–

	2017				
	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
	Carrying amount HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Obligations under a finance lease	829	856	411	411	34
Promissory notes	–	–	–	–	–
Trade and other payables	201,958	201,958	201,958	–	–
Other borrowings	3,750	3,790	3,790	–	–
	206,537	206,604	206,159	411	34

Notes to Consolidated Financial Statements

For the year ended 31 March 2018 (Expressed in Hong Kong dollars)

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Interest rate risk

The Group's interest rate risk arises primarily from obligations under a finance lease and other borrowings. The obligations under a finance lease and other borrowings are at fixed interest rate which expose the Group to fair value interest rate risk. The Group does not expect any significant changes in fixed interest rate which might materially affect the Group's result of operations.

(d) Currency risk

The Group is not exposed to significant currency risk as most of income, expenses and financial instruments are denominated in the functional currency of the operations to which they relate.

(e) Fair values measurement

The following presents the assets and liabilities measured at fair value or required to disclose their fair value in these financial statements on a recurring basis across the three levels of the fair value hierarchy defined in HKFRS 13, Fair Value Measurement, with the fair value measurement categorised in its entirety based on the lowest level input that is significant to the entire measurement. The levels of inputs are defined as follows:

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

Assets and liabilities measured at fair value

	31 March 2018 HK\$'000	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000
<i>Assets measured at fair value</i>				
Financial assets at fair value through profit or loss				
– Derivative financial assets	156	–	–	156

During the year ended 31 March 2018 and 2017, there were no transfers between level 1 and level 2 fair value measurements, and no transfer into and out of level 3 fair value measurements. The Group's policy is to recognise transfer between levels as at the end of the reporting period.

	Fair value hierarchy	Valuation methodology and inputs	Significant inputs	Sensitivity analysis
Contingent consideration for business combination	Level 3	Discounted Cash flow	Estimated future cash flow of Explicitly Grand Group with discount rate of 21% per annum respectively.	Assuming other factors remain unchanged, the lower the probability, the higher the fair value of the contingent consideration.

Notes to Consolidated Financial Statements

For the year ended 31 March 2018 (Expressed in Hong Kong dollars)

35. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

(a) Key sources of estimation uncertainty

In the process of applying the Group's accounting policies which are described in note 3, management has made certain key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, as discussed below.

(i) *Useful lives and residual values of property, plant and equipment*

The management determines the estimated useful lives and residual values for the Group's property, plant and equipment in accordance with the accounting policy stated in note 3(g). The Group will revise the depreciation charge where useful lives and residual values are different from previous estimates, or will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

(ii) *Estimation of impairment of property, plant and equipment*

In determining whether an asset is impaired or the event previously causing the impairment no longer exists, the Group has to exercise judgement in assessing whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence. Such assessment was based on certain assumptions, which are subject to uncertainty and might differ materially from the actual results. In exercising judgement, the Group considers information such as the amounts of the replacement cost of the property, plant and equipment and deductions to account for the age, condition, economic or functional obsolescence and environmental factors existing at the end of each reporting period. As at 31 March 2018, the carrying amount of property, plant and equipment is approximately HK\$8,175,000 (2017: HK\$13,819,000).

(iii) *Estimation of impairment of intangible assets*

The Group performs annual assessments on whether there has been impairment of intangible assets in accordance with the accounting policy stated in note 3(j). The recoverable amounts of cash-generating units are determined based on value in use calculations. These calculations require the use of estimates and assumptions made by management on the future operation of the business, pre-tax discount rates, and other assumptions underlying the value-in-use calculations. As at 31 March 2018, the carrying amount of intangible assets is approximately HK\$127,241,000 (2017: HK\$139,227,000).

(iv) *Amortisation of intangible assets*

Intangible assets are amortised on a straightline basis over their estimated useful lives in accordance with the accounting policy stated in note 3(i). The determination of the useful lives involves management's estimation. The Group re-assesses the useful life of the intangible assets and, if the expectation differs from the original estimate, such a difference may impact the amortisation in the year and the estimate will be changed in the future period.

Notes to Consolidated Financial Statements

For the year ended 31 March 2018 (Expressed in Hong Kong dollars)

35. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

(a) Key sources of estimation uncertainty (CONTINUED)

(v) *Estimation of impairment of receivables*

The policy for recognising impairment on receivables of the Group is based on the evaluation of collectibility, ageing analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each counterparty. If the financial conditions of counterparties of the Group were to deteriorate, an impairment may be required. As at 31 March 2018, the carrying amount of trade and other receivables, other than deposits and prepayments is approximately HK\$46,755,000 (2017: HK\$24,572,000).

(vi) *Going concern basis*

As explained in note 3 to the consolidated financial statements, the financial position of the Group indicates the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The basis for adoption of going concern is set out in note 3 to the consolidated financial statements. Should the Group be unable to raise new financing or other measures fail to improve the liquidity of the Group and the Group is unable to continue in business as a going concern, adjustments would be needed to reduce the carrying amounts of the assets of the Group to their recoverable amounts and, to provide for further liabilities which might arise.

(b) Critical accounting judgements in applying the Group's accounting policies

In determining the carrying amounts of some assets and liabilities, the Group makes assumptions for the effects of uncertain future events on those assets and liabilities at the end of the reporting period. These estimates involve assumptions about such items as cash flows and discount rates used. The Group's estimates and assumptions are based on historical experience and expectations of future events and are reviewed periodically. In addition to assumptions and estimations of future events, judgements are also made during the process of applying the Group's accounting policies.

Income taxes and deferred taxation

The Group is subject to income tax in Hong Kong and various taxes in PRC. Significant judgement is required in determining the provision for taxation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax and deferred tax provisions in the period in which such determination is made.

Notes to Consolidated Financial Statements

For the year ended 31 March 2018 (Expressed in Hong Kong dollars)

36. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Particulars of subsidiaries as at 31 March 2018 are as follows:

Name of company	Place of incorporation/ business	Particular of issued and paid up capital	Percentage of ownership interest held by the Company		Principal activities
			Directly	Indirectly	
Jadepower Limited	BVI/Macau	1,000 ordinary shares	100%	-	Investment in slot machines related operation
Thousand Ocean Investments Limited	BVI/Macau	1,000 ordinary shares	100%	-	Investment in gaming tables related operation
Digital Zone Global Limited	BVI/BVI	1 ordinary share	100%	-	Conduct mobile game apps business
Forenzia Enterprises Limited	BVI/Hong Kong	10,000 ordinary shares	60%	-	Investment holding
Lion King Gaming Limited	Vanuatu/Vanuatu	100 ordinary shares	-	60%	Investment holding
Chartreuse Holdings Limited	Vanuatu/Vanuatu	2 ordinary shares	-	60%	Conduct gaming business
Explicitly Grand Investments Limited	BVI/Hong Kong	50,000 ordinary shares	-	100%	Investment holdings
MostCore Limited	Hong Kong/Hong Kong	10,000 ordinary shares	-	100%	Provision of AR/VR and mobile games solutions
Victor Mind Global Limited	BVI/Cambodia	1 ordinary share	100%	-	Investment in VIP room

The details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests as at 31 March 2018 and 2017 are set out below:

Name of indirect subsidiary	Place of incorporation and principal activity	Proportion of ownership interests and voting rights held by non-controlling interests		Profit/(loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		2018	2017	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Forenzia Group	BVI/Investment holding	40%	40%	2,038	(4,603)	53,209	51,171

The above information is based on Forenzia Group. The principal activities of the subsidiaries of Forenzia Enterprises Limited are to conduct gaming business.

Notes to Consolidated Financial Statements

For the year ended 31 March 2018 (Expressed in Hong Kong dollars)

36. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (CONTINUED)

	2018 HK\$'000	2017 HK\$'000
Summarised consolidated statement of financial position of Forenzia Enterprises Limited		
Non-current assets	166,765	170,237
Current assets	19,625	4,333
Total assets	186,390	174,570
Current liabilities	(145,243)	(138,518)
Equity attributable to owners of the Company	(12,062)	(15,119)
Non-controlling interest	53,209	51,171
Summarised consolidated statement of profit or loss of Forenzia Enterprises Limited		
Profit/(Loss) before income taxation	5,095	(11,507)
Income tax expenses	—	—
Profit/(Loss) for the year	5,095	(11,507)
Other comprehensive income	—	—
Total comprehensive income/(expenses)	5,095	(11,507)
Total comprehensive income/(expenses) allocated to non-controlling interests	2,038	(4,603)
Summarised consolidated statement of cash flow of Forenzia Enterprises Limited		
Net cash generated from operating activities	9,895	5,573
Net cash used in investing activities	(9,895)	(5,573)
Net increase in cash	—	—

Notes to Consolidated Financial Statements

For the year ended 31 March 2018 (Expressed in Hong Kong dollars)

37. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2018 HK\$'000	2017 HK\$'000
Non-current assets		
Property, plant and equipment	917	1,562
Investments in subsidiaries	49,506	95,930
Interest in an associate	353,568	353,568
	403,991	451,060
Current assets		
Trade and other receivables	94,807	32,102
Cash and cash equivalents	1,029	1,173
	95,836	33,275
Current liabilities		
Trade and other payables	205,783	200,207
Obligations under a finance lease	403	380
Other borrowings	10,300	3,750
	216,486	204,337
Net current liabilities	(120,650)	(171,062)
Total assets less current liabilities	283,341	279,998
Non-current liabilities		
Obligations under a finance lease	33	449
Promissory notes	12,816	—
	12,849	449
NET ASSETS	270,492	279,549
Capital and reserves		
Share capital	163,106	119,960
Reserves	107,386	159,589
TOTAL EQUITY	270,492	279,549

The Company's statement of financial position was approved and authorised for issue by the board of directors on 28 June 2017 and are signatory on its behalf by:

Ng Man Sun
Chairman

Ng Wai Yee
Director

Notes to Consolidated Financial Statements

For the year ended 31 March 2018 (Expressed in Hong Kong dollars)

37. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

(CONTINUED)

(a) A summary of the Company's reserve is as follows:

	Share Premium HK\$'000	Contributed surplus HK\$'000	Capital reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 31 March 2016 and 1 April 2016	429,135	2,285,052	18,705	(1,677,899)	1,054,993
Loss for the year and total comprehensive expense for the year	—	—	—	(955,752)	(955,752)
Equity-settled share based transactions	—	—	1,124	—	1,124
Shares issued for acquisition of intangible assets through acquisition of subsidiaries	35,286	—	—	—	35,286
Shares issued under open offer	(2,573)	—	—	—	(2,573)
Issued of consideration shares	18,600	—	—	—	18,600
Shares issued under placing	7,911	—	—	—	7,911
At 31 March 2017 and 1 April 2017	488,359	2,285,052	19,829	(2,633,651)	159,589
Loss for the year and total comprehensive expense for the year	—	—	—	(86,094)	(86,094)
Equity-settled share based transactions	—	—	3,740	—	3,740
Shares issued for acquisition of subsidiaries	19,500	—	—	—	19,500
Exercise of share options	1,283	—	(649)	—	634
Shares issued under placing	10,017	—	—	—	10,017
Lapse of share options	—	—	(296)	296	—
As 31 March 2018	519,159	2,285,052	22,624	(2,719,449)	107,386

38. LITIGATION

On 22 March 2006, the Company issued 10-year zero-interest promissory notes with total face value of approximately HK\$1,454,722,000 as part of the consideration to the further 30% equity interest in Greek Mythology, out of which a promissory note of HK\$150,000,000 (the "PN 1") was issued to Ms. Lee Ping ("Ms. Lee"), and other promissory notes for the aggregate sum of HK\$150,000,000 were issued to Mr. Huang Jian Nan ("Mr. Huang") (the "2006 Promissory Notes"), and that a promissory note for the amount of HK\$40,000,000 and which was derived from or arose from the purported transfer of HK\$40,000,000 from either one or more of the 2006 Promissory Notes was issued to Mr. Wu Weide ("Mr. Wu") (the "PN 2"). Ms. Lee, Mr. Huang and Mr. Wu were independent third parties independent of and not connected with the Company and its connected person(s). It came to attention of the Company that the 2006 Promissory Notes were issued by mistake and that the PN 1 issued to Ms. Lee and the PN 2 issued to Mr. Wu were under a mistaken belief that the legal title of the PN 1 and PN 2 would be properly transferred to Ms. Lee and Mr. Wu respectively.

Notes to Consolidated Financial Statements

For the year ended 31 March 2018 (Expressed in Hong Kong dollars)

38. LITIGATION (CONTINUED)

On 18 March 2016, the Company issued a writ of summons in the Court of First Instance of the High Court of Hong Kong claiming against Ms. Lee for the followings:

1. a declaration that the PN 1 issued by the Company to Ms. Lee was issued by mistake and without consideration;
2. an order that Ms. Lee to deliver the PN 1 to the Company;
3. an injunction to restrain Ms. Lee whether by herself, her servants or agents or otherwise howsoever from negotiating or indorsing the PN 1;
4. further and other relief; and
5. costs.

On 15 September 2016, the Company issued a writ of summons in the Court of First Instance of the High Court of Hong Kong claiming against Mr. Wu for the followings:

1. a declaration that the 2006 Promissory Notes issued by the Company to Mr. Huang were issued by mistake and therefore the PN 2 issued by the Company to Mr. Wu is null and void;
2. an order that Mr. Wu to deliver the PN 2 to the Company;
3. an injunction to restrain Mr. Wu whether by himself, his servants or agents or otherwise howsoever from negotiating or indorsing the PN 2;
4. further and other relief; and
5. costs.

The Directors would like to emphasize that the results of the litigation will not affect the Group's liabilities under the PN 1 and PN 2.

Details of the litigation are set out in the Company's announcements dated 21 March 2016 and 15 September 2016.

Notes to Consolidated Financial Statements

For the year ended 31 March 2018 (Expressed in Hong Kong dollars)

39. EVENTS AFTER THE REPORTING PERIOD

- 1) On 30 April 2018, Digital Zone Global Limited, a wholly-owned subsidiary of the Company and Bole International Investment Co., Ltd., an independent third party of the Group, entered into an agreement to dispose of the mobile game apps at a consideration of HK\$30,000,000. Up to the date of the approval of the consolidated financial statements, the said disposal has not completed.
- 2) On 29 December 2017, the Company entered into the Deed of Settlement (the "Deed") in relation to the settlement of the disputes on the HK\$190 million promissory notes (the "PNs") with Ms. Lee and Mr. Wu (collectively the "Holders"), pursuant to which the Company has agreed with the Holders on a settlement proposal in respect of the PNs concerned. The Company and the Holders agreed that on the seventh business day after the Company has obtained the approvals from the independent shareholders and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "First Payment Date"):
 - i) transferring and assigning a total sum of HK\$104,500,000 of the PNs in favour of Mr. Ng Man Sun ("Mr. Ng") or such other person or entity as the Company shall nominate; and
 - ii) paying a total sum of HK\$85,500,000 to the Holders in the following manner:
 - (a) the sum of HK\$5,500,000 and which shall be paid to the solicitors of the Holders;
 - (b) the sum of HK\$20,000,000 by the issuance of promissory notes in favour of the Holders and with a maturity date falling on the last business day of the period of nine calendar months after the First Payment Date (the "Second Payment Date");
 - (c) the sum of HK\$30,000,000 by the issuance of promissory notes in favour of the Holders and with a maturity date falling on the last business day of the period of nine calendar months after the Second Payment Date (the "Third Payment Date"); and
 - (d) the balance of HK\$30,000,000 to be satisfied by the issuance by the Company of a convertible bond in favour of the Holders (the "Convertible Bonds") with the proposed conversion price of the Convertible Bonds at HK\$0.249 per share under specific mandate. In case the Holders intend to sell, transfer, assign or dispose of the Convertible Bonds or any part thereof to a third party, the Holders shall first serve a written notice to Mr. Ng, with a copy to the Company offering to sell to Mr. Ng.

In order to secure the payment obligations by the Company to the Holders, the Company delivered an executed personal guarantee given by Mr. Ng to guarantee the payment of the Company's payment obligations under the Deed in favour of the Holders.

Upon the cancellation of the PNs, the assignment of the aggregate sum of HK\$104,500,000 to Mr. Ng from the Holders will be settled by the Company by issuing the promissory notes ("Ng PN") to Mr. Ng.

Notes to Consolidated Financial Statements

For the year ended 31 March 2018 (Expressed in Hong Kong dollars)

39. EVENTS AFTER THE REPORTING PERIOD (CONTINUED)

2) (Continued)

On 1 March 2018, the Company had entered into a second deed of settlement (the "Second Deed") with Mr. Ng, pursuant to which the outstanding amount under Ng PN will be settled by issuing the convertible bonds (the "Second Convertible Bonds") by the Company to Mr. Ng at a conversion price of HK\$0.30 per share.

Further details of the abovementioned matters are set out in the circular of the Company dated 31 May 2018.

The abovementioned deeds and issuance of convertible bonds have been approved by the independent shareholders at a special general meeting of the Company held on 19 June 2018. Up to the date of the approval of the consolidated financial statements, the Company has just obtained approval from the listing committee of the Stock Exchange on the listing of the conversion shares.

40. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 28 June 2018.

Five-Year Financial Summary

RESULTS

	2018 HK\$'000	Year ended 31 March			
		2017 HK\$'000	2016 HK\$'000	2015 HK\$'000	2014 HK\$'000
REVENUE	62,206	11,401	10,486	5,118	4,965
SHARE OF PROFIT OF ASSOCIATES	-	-	-	-	-
(LOSS)/PROFIT FOR THE YEAR	(50,734)	(988,520)	(48,967)	(41,367)	65,387
ATTRIBUTABLE TO					
– Owners of the Company	(52,772)	(983,869)	(43,136)	(40,240)	66,662
– Non-controlling interests	2,038	(4,651)	(5,831)	(1,127)	(1,275)
(LOSS)/EARNINGS PER SHARE (in HK Cents)				(Restated)	
– Basic	(7.48)	(195.78)	(11.65)	(16.11)	30.13
– Diluted	(7.48)	(195.78)	(11.65)	(16.11)	30.13

ASSETS AND LIABILITIES

	2018 HK\$'000	At 31 March			
		2017 HK\$'000	2016 HK\$'000	2015 HK\$'000	2014 HK\$'000
NON-CURRENT ASSETS	537,183	511,107	1,372,127	1,361,512	1,219,271
CURRENT ASSETS	54,607	28,292	98,779	88,917	86,970
TOTAL ASSETS	591,790	539,399	1,470,906	1,450,429	1,306,241
NON-CURRENT LIABILITIES	16,465	449	829	38,619	166,394
CURRENT LIABILITIES	216,160	206,088	262,145	187,725	18,634
TOTAL LIABILITIES	232,625	206,537	262,974	226,344	185,028
NET ASSETS	359,165	332,862	1,207,932	1,224,085	1,121,213
EQUITY HOLDERS' FUND	305,956	281,691	1,151,027	1,162,191	1,120,616
NON-CONTROLLING INTERESTS	53,209	51,171	56,905	61,894	597
TOTAL EQUITY	359,165	332,862	1,207,932	1,224,085	1,121,213