



# Contents



Corporate Information	2
Chairman's Statement	3
Management Discussion and Analysis	5
Corporate Governance Report	14
Directors' Report	27
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	132

## 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 54, 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

Suite 6303-04, 63/F  
Central Plaza  
18 Harbour Road  
Wanchai  
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 2019 (the "Year under Review") (the "2019 Annual Results").

The Year under Review was a time of uncertainties in international and domestic economic and political conditions. The Sino – US trade disputes had shook the confidence of many and the global economy has begun bearing burden caused by the trade disputes. Together with the ambiguous future of Brexit, these had shadowed the international economy which affected the development of tourism and gaming industry around the world. The World Tourism Organization estimated that the international tourist arrivals would reach 1.4 billion in 2018 which was only a 6% increase than that of 2017 (2017: over 1.3 billion), indicating a prudent "wait and see" sentiment among the tourist affected by the global economic and political turmoil.

## COMPANY OVERVIEW FOR THE YEAR

During the Year under Review, the Company was still in the progress of reorganization. The Company had settled the lengthy dispute in relation to the promissory notes and had completed two subscription/loan capitalization activities. These transactions improved the financial position of the Group. The settlement of promissory notes had also resolved a prolonged dispute against the Company and paved a smooth way for the Company to concentrate on its future business development. Meanwhile, considering the market conditions and the market trends around the world, in March 2019, the Company completed the disposal of its associate company, Greek Mythology (Macau) Entertainment Group Corporation Limited ("Greek Mythology") which had persistently bothered the Company for years.

With a stable financial position, we had continued our business development in Vanuatu and particularly, Cambodia, which is the main revenue driver of the Group. The government of Cambodia has been supportive to the development of gaming industry and Cambodia is also being viewed as the "New Land of Opportunity" by Casino Review Magazine. Currently, most of the casinos are located around the towns of Poipet and Pailin, which sit along the border with Thailand, and Bavet, close to the Vietnam border. Sihanoukille has emerged to be the attention of late, with the Cambodian government's plan to turn it into a gambling centre. It looks to turn the town of Sihanoukille into the "Macau of Southeast Asia", attracting investment in hotels and casinos pouring into the town. The Company grabbed hold of these potential opportunities and had stepped into the gaming business in Cambodia. The operation of the VIP room in Piopet and provision of technical and pre-opening services to Cheung Shing Global Travel Entertainment Limited for its casino located in Sihanoukville had allowed the Group to establish its footprints in the South East Asia gaming industry and strengthened our knowledge and understanding in relation thereto.

In parallel, with the ever-changing technological development, the Company continued its innovative intellectual properties and technological solutions services in connection with augmented reality ("AR")/virtual reality ("VR") applications to clients. I believe that the Group was working on the right track to steadily maintaining this business segment and persistently contributing to the revenue of the Group.

# Chairman's Statement

During the Year under Review, the Company used its best endeavour to resolve all the issues giving rise to the prolonged disclaimer of opinion on the financial statements of the Company by disposing of Greek Mythology and impairing the entire amount due from Greek Mythology. On 24 June 2019, the Company was informed that the Listing Department of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") had been satisfied with the actions taken by the Company to resolve the disclaimer of opinion. Thus, trading in the Company's shares will not be suspended and the Company will not be subject to Rule 6.01A of the Listing Rules.

## OUTLOOK AND PROSPECT

During the Year under Review, the Company had been working hard to maintain a healthy financial condition and business development of the Group. Given the volatile global economic and political conditions, especially the relationship between China and the United States are intensified recently, the Company shall uphold a prudent approach for healthy and long-term development of the business of the Group.

In the year to come, the Company shall continue to walk on two legs, developing the gaming business in Cambodia on one hand, while maintaining our innovative intellectual properties and technological solutions businesses. Grabbing hold of the strategic location of Cambodia, a growing destination for tourism and investment, particularly among Chinese, I believe we can continue to build up our reputation and open up more income source. Meanwhile, the advanced technology of AR/VR allows us to align our business with the new technological developments and the market trends, extending our business footprints globally without geographical boundaries. With these hard works made by the Group during the Year, we cast hope that the business of the Group shall be maintained with steady growth in the near future.

## 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, 24 June 2019

The Directors of the Company hereby report the audited consolidated annual results of the Group for the year ended 31 March 2019. The 2019 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. Subsequently, the Company had completed the disposal of all the equity interest in Greek Mythology on 29 March 2019 as detailed in the BUSINESS REVIEW section below.

The Group recorded a revenue of approximately HK\$71.2 million for the Year under Review, increasing 14.5% as compared to approximately HK\$62.2 million last year. The increase in revenue was mainly attributable to the revenue derived from the increase in gaming revenue. Net loss for the Year under Review was approximately HK\$418.3 million, increasing 725.0% as compared to approximately HK\$50.7 million last year. The increase in loss was mainly due to (i) impairment and disposal loss of the interest in the Associate Company in the amount of approximately HK\$353.5 million; and (ii) impairment loss on the amount due from the Associate Company in the amount of approximately HK\$28.5 million.

## Capital Structure

As at 31 March 2019, the Company's total number of issued shares was 1,232,475,614 (31 March 2018: 815,530,039) at HK\$0.20 each. The Group's consolidated net assets totalled approximately HK\$87.3 million, representing a decrease of approximately HK\$271.9 million as compared to that of approximately HK\$359.2 million as at 31 March 2018. The decrease in total assets was mainly attributable to the impairment and disposal of the interests in Greek Mythology.

(a) During the Year under Review and up to the date of this report, the Company completed one placing and top-up subscription activity, raising a total of approximately HK\$9,090,000 as detailed below.

<b>Date of placing and subscription agreement</b>	<b>Date of completion</b>	<b>Price per share (HK\$)</b>	<b>No. of shares</b>	<b>Net proceeds (approximately) (HK\$)</b>
24 July 2018	7 August 2018	0.238	39,000,000	9,090,000

# Management Discussion and Analysis

Up to the date of this report, the proceeds from this placing were used for payment of the Company's general and administrative expenses and repayment of other borrowings with major items detailed below:

	HK\$
Net Proceeds	9,090,000
Use of net proceeds	
Staff salaries and Directors' fees	470,000
Rental and operating expenses	700,000
Legal and professional fees	420,000
Repayment of other borrowings	7,500,000
Total	9,090,000

(b) During the Year under Review and up to the date of this report, the Company completed one subscription activity. As at 28 August 2018, the Company was indebted to (i) Chanceton Capital Partners Limited ("Chanceton Capital") an outstanding amount of HK\$3,250,000; (ii) Mr. Wong Kam Wah ("Mr. Wong") an outstanding amount of HK\$2,500,000; and (iii) Skyline Ace Limited ("Skyline Ace") an outstanding amount of HK\$3,250,000. On 28 August 2018, the Company with each of Chanceton Capital, Mr. Wong and Skyline Ace (collectively, the "Subscribers") entered into separate subscription agreement pursuant to which the Subscribers conditionally agreed to subscribe for, and the Company conditionally agreed to allot and issue an aggregate of 37,188,000 subscription shares at the subscription price of approximately HK\$0.242 per subscription share, in consideration of each of Chanceton Capital, Mr. Wong and Skyline Ace agreeing to waive their respective indebted amount in an aggregate sum of HK\$9,000,000 due from the Company. The completion of the subscriptions took place on 6 September 2018 and the Company allotted and issued an aggregate of 37,188,000 subscription shares (out of which 13,429,000 subscription shares were to Chanceton Capital, 10,330,000 subscription shares were to Mr. Wong and 13,429,000 subscription shares were to Skyline Ace respectively) at approximately HK\$0.242 per subscription share.

(c) During the Year under Review and up to the date of this report, the Company completed one loan capitalisation activity. Following the completion of the acquisition of 100% equity interests in Explicitly Grand Investments Limited on 18 October 2017, the Company issued two promissory notes in an aggregate principal amount of HK\$14,000,000 to Mr. Wong Kam Wah ("Mr. Wong") and Ms. Cheng Wai Man ("Ms. Cheng") respectively (the "Promissory Notes"). The Promissory Notes will be due on 18 October 2019. In light of the tight financial resources available to the Group to meet the Company's repayment obligation when the Promissory Notes fall due, the Company had negotiated with Mr. Wong and Ms. Cheng on alternative repayment method towards the Promissory Notes.

On 12 February 2019, the Company with each of Mr. Wong and Ms. Cheng entered into separate loan capitalisation agreement pursuant to which Mr. Wong and Ms. Cheng conditionally agreed to subscribe for, and the Company conditionally agreed to allot and issue an aggregate of 42,424,242 loan capitalisation shares at the subscription price of approximately HK\$0.33 per loan capitalisation share. The subscription amount payable by each of Mr. Wong and Ms. Cheng under the loan capitalisation agreements shall be satisfied by capitalizing the Promissory Notes. The completion of the loan capitalisation took place on 4 March 2019 and the Company allotted and issued an aggregate of 42,424,242 loan capitalisation shares (out of which 21,212,121 loan capitalisation shares were to Mr. Wong and 21,212,121 loan capitalisation shares were to Ms. Cheng respectively) at approximately HK\$0.33 per loan capitalisation share.

## *(d) Settlement of Prolonged Litigation*

On 23 July 2018, the Group had finally resolved the dispute regarding the outstanding promissory notes of the aggregate sum of HK\$190,000,000 (the "PNs") in accordance with the terms and conditions of the deeds of settlement entered among Ms. Lee Bing and Mr. Wu Weide (collectively the "Holders"), Mr. Ng Man Sun ("Mr. Ng") and the Company:

- (i) the Holders had returned the PNs to the Company for cancellation;
- (ii) a promissory note in the amount of HK\$104,500,000 had been issued in favour of Mr. Ng by the Company and such promissory note had been subsequently settled by issuing convertible bonds to Mr. Ng at a conversion price of HK\$0.3 per share;
- (iii) the remaining outstanding amount of the PNs of HK\$85,500,000 due to the Holders was settled by paying HK\$5,500,000 cash and by issuing promissory notes in the total amount of HK\$50,000,000 and a convertible bond in the amount of HK\$30,000,000 at a conversion price of HK\$0.249 per share; and
- (iv) the consent orders have been duly signed and the legal proceedings in relation to the PNs had been dismissed accordingly.

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 HK\$50,000,000 promissory notes in favour of the Holders.

Further details of the abovementioned matters are set out in the circular of the Company dated 31 May 2018 and the announcement of the Company dated 23 July 2018. The Company has now fully resolved the long disputes in connection with the PNs and can avoid incurring further legal costs to continue the legal proceedings.

Meanwhile, on 4 February 2019, Mr. Ng exercised the conversion rights attached to the Second Convertible Bonds (as defined in the circular of the Company dated 31 May 2018), to convert the Second Convertible Bonds in the principal amount of HK\$50,500,000 at the conversion price of HK\$0.30 per Share. As a result of this conversion, the Company allotted and issued a total of 168,333,333 Second Conversion Shares (as defined in the circular of the Company dated 31 May 2018). On 19 February 2019, Mr. Ng exercised the conversion rights attached to the Second Convertible Bonds, to convert the Second Convertible Bonds in the principal amount of HK\$39,000,000 at the conversion price of HK\$0.30 per Share. As a result of this conversion, the Company allotted and issued a total of 130,000,000 Second Conversion Shares. These conversions of convertible bonds had allowed the Company to improve the gearing ratio and also the financial position of the Company, equipping the Company for future development of its business.

# Management Discussion and Analysis

## 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 2019, the Group had total assets and net assets of approximately HK\$201.3 million (2018: approximately HK\$591.8 million) and HK\$87.3 million (2018: approximately HK\$359.2 million), comprising non-current assets of approximately HK\$157.4 million (2018: approximately HK\$537.2 million) and current assets of approximately HK\$43.9 million (2018: approximately HK\$54.6 million) which were financed by shareholders' funds of approximately HK\$87.3 million (2018: approximately HK\$359.2 million). The Group also had non-controlling interests of approximately HK\$53.0 million (2018: approximately HK\$53.2 million), current liabilities of approximately HK\$60.3 million (2018: approximately HK\$216.2 million) and non-current liabilities of approximately HK\$53.7 million (2018: approximately HK\$16.5 million).

The Group's gearing ratio, calculated as a ratio of debt to shareholders' equity, was approximately 130% (2018: 65%). As at 31 March 2019, the Group had cash and cash equivalents of approximately HK\$1.2 million (2018: approximately HK\$1.8 million).

## 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

During the Year under Review, the Company had made a few decisive moves to further streamline and restructure the business of the Company. With the Group's exploration in various regions in Asia Pacific during the previous years, the Group has gained enormous knowledge and experience in developing the gaming business which inspired us to stay focus on areas where we see huge potential in.

### Disposal of Greek Mythology

The Group originally held 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 actions to obtain the relevant annual accounts and requesting the repayment of the outstanding amount due from Greek Mythology but failed to make any progress.



Yet, due to the lack of progress in respect of a) the requisition of audited financial statements and all relevant information and documentation of Greek Mythology necessary for audit purpose; and b) the application of the Court Order, the Board decided to make an one-off full impairment losses which is non-cash in nature (the "Impairment") on the following items on 16 February 2019:

- 1) 24.8% interest in the Associate with carrying value amounted to approximately HK\$353,568,000 as per the unaudited interim financial statements as at 30 September 2018; and
- 2) Amount due from the Associate in the sum of approximately HK\$28,500,000 as per the unaudited interim financial statements as at 30 September 2018.

Meanwhile, on 16 February 2019, the Company and Fu Po International Limited (the "Purchaser"), had entered into a sale and purchase agreement, pursuant to which the Company has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase 1,204 ordinary shares of MOP1,000 each in the issued share capital of the Greek Mythology (representing 24.8% of the issued share capital of the Associate) (the "Disposal") at HK\$38,000 which will be settled by cash. With the approval from the shareholders of the Company at the special general meeting on 29 March 2019, the Disposal was completed on the same day. Details of the Impairment and Disposal are set out in the announcements dated 17 February 2019, 28 February 2019 and the circular dated 13 March 2019.

## Proposed Disposal of Mobile Game Apps

The Group acquired 30 mobile game apps ("Mobile Game Apps") on 30 March 2017 at a consideration of HK\$27,000,000 by way of issuing 60,000,000 consideration shares. After reviewing business performance of the Group's existing business segments, and with the objective to strengthen the Group's cash position to (i) meet the cash flow requirement under the settlement deed dated 29 December 2017 (details are disclosed in the announcements of the Company dated 29 December 2017, 19 June 2018 and 23 July 2018) when materialized; and (ii) retain resources to develop the Group's gaming business and IT solutions business, the Group had entered into a conditional agreement on 5 June 2019 with Digital Zone as the vendor, and Galaxy World Co., Ltd ("Galaxy World") as the purchaser, pursuant to which Digital Zone has conditionally agreed to dispose of, and Galaxy World has conditionally agreed to purchase the Mobile Game Apps at a consideration of HK\$30,000,000 (the "Proposed Disposal").

As the Proposed Disposal constitutes a major transaction under Chapter 14 of the Listing Rules, it is subject to the reporting, announcement and Shareholders' approval requirements under the Listing Rules.

## Business Operation of 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. During the Year under Review, the global market conditions had been even more unpredictable and volatile than the Company has maintained, with the objective for steady and healthy development of the Company, a conservative and prudent strategy on the business in Vanuatu while stayed alert to the macro-economic condition and made suitable adjustment and fine-tuning the business strategy accordingly.

## Gaming Business in Cambodia

Victor Mind Global Limited ("VMG"), a wholly-owned subsidiary of the Company and currently the major revenue driver of the Group, is engaging in gaming operation and consultancy services in Poipet and Sihanoukville, Cambodia. During the Year under Review, the operation of the VIP room in Poipet has been running smoothly. It had contributed a net gaming win of HK\$87.6 million to the Group which also reflected the adoption of the amended Hong Kong Financial Reporting Standard (HKFRS) 15.

# Management Discussion and Analysis

Meanwhile, while operating the VIP room in Piopet, the Company gained understanding and knowledge of the gaming industry environment in Cambodia. During the Year under Review, the Company had leveraged its valuable experience to further broaden its income source by providing technical and pre-opening services (the "Services") to Cheung Shing Global Travel Entertainment Limited ("CSG"), a company wholly-owned by Mr. Ng, the Chairman and Chief Executive Officer of the Company, the Company in return earned a service fee of HK\$9,000,000 which was settled in March 2019. Details of the scope of the Services provided are set out in the announcement of the Company dated 11 October 2018.

As Mr. Ng is regarded as a connected person under Chapter 14A of the Listing Rules and the transactions contemplated under the Service Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Details of the annual review of the continuing connected transactions are set out in the "Directors' Report" in this annual report.

## Augmented reality ("AR")/Virtual reality ("VR") entertainment and mobile games solutions

Explicitly Grand Investments Limited ("Explicitly Grand"), a wholly-owned subsidiary of the Company, and its subsidiaries (collectively the "Explicitly Grand Group") specialize in the AR/VR entertainment developments and apps on mobile devices platforms and also provide customized IT and design solutions for its customers. During the Year under Review, the Explicitly Grand Group had contributed a revenue of approximately HK\$7.1 million to the Group.

Pursuant to the supplemental agreement dated 15 August 2017 regarding acquisition of 100% of the issued share capital of Explicitly Grand Group, the vendors undertook and guaranteed to the Company that 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 which shall be verified by the Company's legal advisor (the "2019 Guaranteed Performance").

Based on the audited consolidated financial statements of the Explicitly Grand Group and the verification performed by the Company's legal advisor, the 2019 Guaranteed Performance had been fulfilled.

## Decision on Listing Status of the Company

On 12 February 2019, a letter was received from the Listing (Disciplinary) Committee of Stock Exchange (the "Letter") by the Company which stated that the Listing (Disciplinary) Committee of the Stock Exchange has decided, among others, to suspend trading in the Company's shares and the Company be subject to Rule 6.01A of the Listing Rules until (a) the Company has addressed all the issues giving rise to the prolonged disclaimer of opinion (the "Disclaimer") on the financial statements of the Company; and (b) the Company has published an announcement disclosing sufficient information to enable investors to make an informed assessment of the Company's financial and trading position, including sufficient information on the financial impact of the Group as a result of the steps it has taken to resolve the issues giving rise to the Disclaimer (the "Decision").

On 18 February 2019, the Company has referred the Decision to the Listing Committee of the Stock Exchange for review which had been held on 28 May 2018. On 24 June 2019, the Company was informed that the Listing Department of the Stock Exchange had been satisfied with the actions taken by the Company to resolve the disclaimer of opinion. Thus, trading in the Company's shares will not be suspended. Details are set out in the announcement of the Company dated 24 June 2019.

## 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, 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 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 applicable gaming business licenses.

#### 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 relevant authorities immediately.

# Management Discussion and Analysis

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.

### *(3) Catastrophic events*

The Group's 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 locations for the operation and will also ensure that adequate insurance coverage is in place.

## ADDRESSING ALL CONCERNS RAISED BY THE COMPANY'S AUDITORS

In the audited report of the Company for the year ended 31 March 2018, the Company's auditors issued disclaimer of opinion in the follow matters in respect of the Company's interest in Greek Mythology arising from its failure to provide sufficient audit evidence:

- i. On the opening balances and corresponding figure since they are unable to carry out audit procedures to satisfy themselves whether the 2017 Financial Statements gave a true and fair view;
- ii. Scope limitation on the Company's interest in Greek Mythology and share of results of Greek Mythology since they are unable to determine the Group's share of net assets and results of Greek Mythology and impairment assessment of the Company's interest in Greek Mythology and of the amounts due from Greek Mythology; and
- iii. Scope limitation on the recoverability of amount due from Greek Mythology and valuation of intangible assets since they are unable to carry out effective confirmation procedures in relation to the balance receivable for the purpose of audit and there is no information available for them to assess the financial position of Greek Mythology.

Reference is made to the announcements of the Company dated 17 February 2019, 28 February 2019 and 29 March 2019 and the circular of the Company dated 13 March 2019. The Company made full impairment of its interest in Greek Mythology and the amount receivable from Greek Mythology and disposed of its interest in Greek Mythology on 29 March 2019 (the "Disposal"). The Company's auditors had discussed during the Audit Committee's meeting the said disclaimer issues and the treatment of the Company's interest in Greek Mythology and the amount receivable from Greek Mythology in the audited report for the year ended 31 March 2019 and the subsequent financial years.

The Company's auditors were of the view that following the disposal of the Company's interest in Greek Mythology, the scope limitation giving rise to the disclaimer of opinion as mentioned in (ii) to (iii) had been addressed and hence such disclaimer of opinion above would no longer be required.

Nevertheless, they were unable to obtain sufficient appropriate audit evidence to determine whether the gain or loss on the Disposal was free from material misstatement and therefore issued a disclaimer of opinion on the results of the Group's consolidated financial statements for the year ended 31 March 2019. They will also propose a modification to the auditor's report for the financial year ending 31 March 2020 relating to the opening financial position and to the auditor's report for the financial year ending 31 March 2021 relating to the opening balances of the comparative figures of the retained earnings and the change in equity. The Board of Directors and the Audit Committee of the Company are aware that these modifications would not have any continuing effect on the results and the closing financial position of the Company for the financial years ending 31 March 2020 and 31 March 2021 respectively.

## OUTLOOK AND PROSPECT

Under the shadow of the uncertainties in the macro economic conditions brought by the Sino-US trade war and Brexit, the Company had struggled during the year to improve its financial positions by settling the lingering disputes of the Company. By doing so, the Company believes that we can get through this economic volatility if not enhancing the Group's business development in a long run.

Susceptible the macro-economic situation is predicted and the Decision is still under review though, with the efforts we made during the year to streamline the business and dispose of the business of less potential, the Group has strived to address to the concerns stated in the Decision. The Company remains optimistic in its future prospects. Given the potential for growth of visitation and spending in Asia Pacific and the evolving popularity of new technologies like AR/VR as well as the booming of mobile gaming industry, the Group confidently believes that it has strategically position itself in a competitive position to further its businesses and maintain a healthy condition in its balance sheet.

# 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 2019 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 2018. 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 2018 and the special general meetings of the Company held on 19 June 2018 and 29 March 2019 respectively.

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 2019.

## 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 of 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.

### Nomination Policy

The Board has adopted a Nomination Policy which aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirement of the Company’s businesses. In determining the suitability of a candidate, the Nomination Committee and the Board shall consider the following criteria:

- the candidate’s personal ethics, reputation, character and integrity;
- the candidate’s qualifications, skills, knowledge, business judgment and experience that are relevant to the operations of the Group;
- willingness to devote adequate time to discharge duties as a member of the Board;
- the Board Diversity Policy for achieving diversity on the Board;

# Corporate Governance Report

- the candidate for the position of an independent non-executive Director must comply with the independence criteria as prescribed under the Listing Rules; and
- any other factors that the Nomination Committee and/or the Board may consider appropriate.

These factors are for reference only, and not meant to be exhaustive and decisive.

The Nomination Committee identifies individual(s) suitably qualified to become board members, having due regard to the Nomination Policy and the Board Diversity Policy, and assesses the independence of the proposed independent non-executive Director(s) as appropriate. The Nomination Committee also considers each retiring Director, having due regard to the Nomination Policy and the Board Diversity Policy, and assesses the independence of each retiring independent non-executive Director. In recommending candidates for appointment to the Board or re-appointment of retiring Directors to the Board, the Nomination Committee will convene a meeting to evaluate each proposed Director on merit against objective criteria and with due regards to the benefits of the Board. The Nomination Committee shall make recommendations by submitting the proposed Director's personal profile to the Board for its consideration.

For each proposed new appointment or re-appointment of a Director, the Nomination Committee shall obtain all applicable declarations and undertakings as required under the laws of Bermuda and the Listing Rules. The Board shall have the final decision on all matters relating to the recommendation of candidates to stand for election (and re-election) at a general meeting. The ultimate responsibility for the selection and appointment of Directors rests with the entire Board.

## 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 page 33 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.

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.

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. Thirteen Board meetings and three general meetings of the Company were held during the year ended 31 March 2019 and the attendances of each Board member are set out below:

	Number of meetings attended/eligible to attend	
	Board meetings	General meetings
<b>Executive Directors</b>		
Mr. Ng Man Sun ( <i>Chairman and CEO</i> )	2/13	0/3
Ms. Ng Wai Yee	13/13	3/3
<b>Independent Non-executive Directors</b>		
Ms. Yeung Pui Han, Regina	13/13	3/3
Mr. Li Chi Fai	13/13	3/3
Ms. Sie Nien Che, Celia	6/13	0/3

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.

# Corporate Governance Report

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.

## 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 page 33.

## 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	√	√	–

#### Notes:

- 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 topic of evolving role of INEDs.
- 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.
- 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 2019 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.

# Corporate Governance Report

Three Audit Committee meetings were held during the year ended 31 March 2019. 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	1/3

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 2019 Annual Results, and the draft unaudited consolidated financial statements and announcement of the interim result for the six months ended 30 September 2018 (the "2018 Interim Results").
- reviewed tax issues, compliance and salient features of 2019 Annual Results and 2018 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 2019, 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 2019 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.

Two Compliance Committee meetings were held during the year ended 31 March 2019. The attendances of each Compliance Committee member are set out as follows:

	<b>Number of meetings attended/ eligible to attend</b>
<b>Executive Director</b>	
Ms. Ng Wai Yee	2/2
<b>Independent Non-executive Directors</b>	
Mr. Li Chi Fai	1/2
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 2019 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.

# Corporate Governance Report

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.

Two Remuneration Committee meetings were held during the year ended 31 March 2019. The attendances of each Remuneration Committee member are set out below:

	<b>Number of meetings attended/ eligible to attend</b>
<b>Executive Director</b>	
Ms. Ng Wai Yee	2/2
<b>Independent Non-executive Directors</b>	
Ms. Yeung Pui Han, Regina	2/2
Ms. Sie Nien Che, Celia	0/2

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 2019 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.

One Nomination Committee meeting was held during the year ended 31 March 2019. The attendances of each Nomination Committee member are set out below:

	<b>Number of meetings attended/ eligible to attend</b>
<b>Executive Director</b>	
Mr. Ng Man Sun	0/1
<b>Independent Non-executive Directors</b>	
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 2019, the fees paid and payable to Elite Partners CPA Limited in respect of audit and non-audit services were HK\$1,060,000 and HK\$362,000 respectively.

## 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 2019.

The Board considered that, for the year ended 31 March 2019, 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 2019.

The Directors present their report and the audited consolidated financial statements of the Company and its subsidiaries for the year ended 31 March 2019.

## 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 2019 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 2019 (2018: Nil).

## DIVIDEND POLICY

The Company has adopted a dividend policy (the "Dividend Policy") setting out the principles and guidelines regarding declaration and payment of dividends. The declaration and payment of dividends is subject to the discretion of the Board. In deciding whether to propose a dividend and in determining the dividend amount, the Board shall consider, among others, (a) the Company's actual and expected financial performance; (b) retained earnings and distributable reserves of the Company and each of the members of the Group; (c) the Group's working capital requirements, capital expenditure requirements and future expansion plans; (d) the Group's liquidity position; (e) general economic conditions, business cycle of the Group's business and other internal or external factors that may have an impact on the business or financial performance and position of the Group; and (f) other factors that the Board may considered relevant.

The declaration or payment of dividends by the Company is also subject to any restrictions under the laws of Bermuda and the Company's Bye-laws. The Company does not have any pre-determined dividend distribution ratio. The Company's dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by the Company in the future. The Dividend Policy shall in no way constitute a legally binding commitment by the Company in respect of its future dividend and/or in no way obligate the Company to declare a dividend at any time or from time to time. The Board will continually review the Dividend Policy and reserve the right in its sole and absolute discretion to update, amend and modify the Dividend Policy at any time.

## 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 132.

## BUSINESS REVIEW

The business review of the Group for the Year under Review is set out in the Management Discussion and Analysis on pages 5 to 13 of this report, which forms part of this report, and the paragraphs below.

# Directors' Report

## 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

On 5 June 2019, Digital Zone Global Limited, a wholly-owned subsidiary of the Company and Galaxy World 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 been completed as it is subject to shareholders' approval in a general meeting.

## 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 2019 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 27 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.

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.

# Directors' Report

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, apart from the 22,281,335 share options which had already been granted and were still outstanding, 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 in addition to the 22,281,335 options which had already been granted and were still outstanding as at the annual general meeting on 9 August 2016.

## 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 28 to the consolidated financial statements.

The movements of the Company's share options outstanding under the 2012 Scheme during the year ended 31 March 2019 are as follows:

	Date of Grant (day/month/year)	No. of share options ('000)			As at 31 March 2019 (Note 2)	Exercise period (day/month/year)	Adjusted exercise price HK\$ (Note 2)
		As at 1 April 2018 (Note 2)	Granted	Lapsed			
<b>Directors</b>							
Mr. Ng Man Sun	05/02/2013 (Note 1)	248	-	-	248	05/02/2013-04/02/2023	1.241
	03/03/2014	248	-	-	248	03/03/2014-02/03/2024	1.345
	10/03/2015	248	-	-	248	10/03/2015-09/03/2025	0.701
	01/12/2017	6,100	-	-	6,100	01/12/2017-30/11/2027	0.280
	17/12/2018	-	610	-	610	17/12/2018-16/12/2028	0.200
Ms. Ng Wai Yee	05/02/2013 (Note 1)	248	-	-	248	05/02/2013-04/02/2023	1.241
	03/03/2014	248	-	-	248	03/03/2014-02/03/2024	1.345
	10/03/2015	248	-	-	248	10/03/2015-09/03/2025	0.701
	25/04/2016	248	-	-	248	25/04/2016-24/04/2026	0.370
	01/12/2017	6,100	-	-	6,100	01/12/2017-30/11/2027	0.280
17/12/2018	-	610	-	610	17/12/2018-16/12/2028	0.200	
Ms. Yeung Pui Han, Regina	05/02/2013 (Note 1)	248	-	-	248	05/02/2013-04/02/2023	1.241
	03/03/2014	248	-	-	248	03/03/2014-02/03/2024	1.345
	10/03/2015	248	-	-	248	10/03/2015-09/03/2025	0.701
	25/04/2016	248	-	-	248	25/04/2016-24/04/2026	0.370
	01/12/2017	610	-	-	610	01/12/2017-30/11/2027	0.280
17/12/2018	-	610	-	610	17/12/2018-16/12/2028	0.200	
Mr. Li Chi Fai	03/03/2014	248	-	-	248	03/03/2014-02/03/2024	1.345
	10/03/2015	248	-	-	248	10/03/2015-09/03/2025	0.701
	25/04/2016	248	-	-	248	25/04/2016-24/04/2026	0.370
	01/12/2017	610	-	-	610	01/12/2017-30/11/2027	0.280
	17/12/2018	-	610	-	610	17/12/2018-16/12/2028	0.200
Ms. Sie Nien Che, Celia	03/03/2014	248	-	-	248	03/03/2014-02/03/2024	1.345
	25/04/2016	248	-	-	248	25/04/2016-24/04/2026	0.370
	01/12/2017	610	-	-	610	01/12/2017-30/11/2027	0.280
	17/12/2018	-	610	-	610	17/12/2018-16/12/2028	0.200
<b>Eligible employees</b>							
Eligible employees	05/02/2013 (Note 1)	1,553	-	-	1,553	05/02/2013-04/02/2023	1.241
	03/03/2014	2,359	-	-	2,359	03/03/2014-02/03/2024	1.345
	10/03/2015	2,607	-	-	2,607	10/03/2015-09/03/2025	0.701
	25/04/2016	1,607	-	-	1,607	25/04/2016-24/04/2026	0.370
	01/12/2017	6,200	-	-	6,200	01/12/2017-30/11/2027	0.280
	17/12/2018	-	10,500	-	10,500	17/12/2018-16/12/2028	0.200
<b>Service providers</b>							
Service providers	05/02/2013 (Note 1)	2,483	-	-	2,483	05/02/2013-04/02/2023	1.241
	03/03/2014	2,483	-	-	2,483	03/03/2014-02/03/2024	1.345
	10/03/2015	1,242	-	-	1,242	10/03/2015-09/03/2025	0.701
	01/12/2017	6,100	-	-	6,100	01/12/2017-30/11/2027	0.280
	18/01/2018	2,000	-	(2,000)	-	18/01/2018-17/01/2019	0.365
	18/01/2018	1,000	-	(1,000)	-	18/01/2018-17/01/2019	0.600
	17/12/2018	-	8,000	-	8,000	17/12/2018-16/12/2028	0.200
In aggregate		47,632	21,550	(3,000)	66,182		-

# Directors' Report

## Notes:

1. 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.
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 2019, in the opinion of the Directors of the Company, the reserves of the Company available for distribution to shareholders is Nil (2018: 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 72, 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 45, 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 62, 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 52, 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 45, 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.

### Company Secretary

**Mr. Cheung Tai Chi**, aged 48, 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

Other than the transactions disclosed under the section headed "CONTINUING CONNECTED TRANSACTIONS" below, there was 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 2019 or at any time during the Year under Review.

## 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 2019, 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	355,494,593	7,454,780 (Note 1)	362,949,373	29.45%
	Interest in a controlled corporation (Note 2)	307,366	-	307,366	0.02%
	<b>Total</b>	<b>355,801,959</b>	<b>7,454,780 (Note 1)</b>	<b>363,256,739</b>	<b>29.47%</b>
Ms. Ng Wai Yee	Beneficial owner	-	7,703,040 (Note 1)	7,703,040	0.63%
Ms. Yeung Pui Han, Regina	Beneficial owner	-	2,213,040 (Note 1)	2,213,040	0.18%
Mr. Li Chi Fai	Beneficial owner	-	1,964,780 (Note 1)	1,964,780	0.16%
Ms. Sie Nien Che, Celia	Beneficial owner	300,000	1,716,520 (Note 1)	2,016,520	0.16%

Notes:

- 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 2019, 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.

<b>Name</b>	<b>Capacity</b>	<b>Number of shares held</b>	<b>Approximate percentage of issued share capital</b>
Ms. Cheng Wai Man	Beneficial owner	96,212,121	7.81%
Mr. Huang Wei Qiang	Beneficial owner	86,900,000	7.05%
Mr. Wong Kam Wah	Beneficial owner	82,542,121	6.70%

## CONTINUING CONNECTED TRANSACTIONS

During the period from 1 April 2018 to 31 March 2019, the Group had the following non-exempted continuing connected transactions within the meaning of Chapter 14A of the Listing Rules:

On 11 October 2018, Victor Mind Global Limited ("VMG"), a wholly-owned subsidiary of the Company, and Cheung Shing Global Travel Entertainment Limited ("CSG") entered into a service agreement (the "Service Agreement"), pursuant to which VMG shall provide technical and pre-opening services in relation to a casino located at Village 1, Commune No. 3, Mitphea Town, Shihanoukville Municipal, Cambodia (the "Casino") operated by CSG.

The technical and pre-opening services are in relation to, among other things, (i) the design, development and implementation of information technology system in the Casino; (ii) the overall design of the Casino; (iii) the establishment of organization and operation structure of the Casino; (iv) the setting up of internal control system of the Casino; (v) the provision of headhunting and recruiting services for the Casino; (vi) the procurement of essential hardware, equipment and peripheral facilities of the Casino; (vii) monitor the overall progress and report deficiencies of the decoration of the Casino; and (viii) the procurement of all relevant licenses and permits in Cambodia for the operation of the Casino.

The term of technical and pre-opening services shall commence from 11 October 2018 to the date of completion of technical and pre-opening services, which is expected to be on or before 31 March 2019. VMG shall receive service fees of HK\$9,000,000 for the provision of technical and pre-opening services to the Casino.

Service fees charged for the provision of technical and pre-opening services to the Casino shall be determined principally by arm's length commercial negotiations according to the principles of fairness and reasonableness by both parties by taking into account factors including locations and conditions of the Casino, the service scope and with reference to the service fees from other independent service providers for providing similar services in the market.

# Directors' Report

As at the date of the Service Agreement, CSG is wholly-owned by Mr. Ng Man Sun ("Mr. Ng") who is an executive Director, Chairman, Chief Executive Officer of the Company and a shareholder holding 57,468,626 Shares together with his associates, representing approximately 6.44% of the total issued share capital of the Company. CSG is therefore a connected person of the Company under Chapter 14A of the Listing Rules and the transactions contemplated under the Service Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios (other than the profits ratio) under Chapter 14A of the Listing Rules for the transactions contemplated under the Service Agreement, on an annual basis, are less than 25% and the annual cap is less than HK\$10,000,000, and given that (1) the Board has approved the transactions contemplated under the Service Agreement; and (2) although the entering into of the Service Agreement is not in the ordinary and usual course of business of the Group, it is on normal commercial terms or better (as far as the Company is concerned), the transactions contemplated under the Service Agreement is subject to reporting and announcement requirements, but exempt from the circular (including independent financial advice) and independent Shareholders' approval requirements.

Announcement was published regarding the continuing connected transactions in accordance with the Listing Rules. The Company confirms that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules in so far as they are applicable.

During the year ended 31 March 2019, VMG rendered technical and pre-opening services in relation to the Casino operated by CSG in accordance with the terms and conditions of the Service Agreement (the "Transaction"). The annual total service fees charged for the provision of technical and pre-opening services to the Casino rendered by the Group amounted to HK\$9,000,000 which was within the applicable annual cap of HK\$9,000,000 (the "Approved Annual Cap") as stated in the Service Agreement.

## Annual review of the transactions under the Listing Rules

The Independent Non-executive Directors have, pursuant to Chapter 14A of the Listing Rules on the requirement to carry out annual review on the continuing connected transactions, reviewed the subject continuing connected transactions. Having considered the reasons and benefits in respect of the provision of technical and pre-opening services under the Service Agreement as mentioned in the Company's announcement dated 11 October 2018, the Independent Non-executive Directors were of the view that, although the provision of such services contemplated under the Service Agreement were not in the ordinary and usual course of business of the Group, the terms of such services were made on normal commercial terms and in accordance with the Service Agreement governing them on terms that were fair and reasonable and in the interest of the Company and its shareholders as a whole.

Pursuant to Rule 14A.56 of the Listing Rules, Elite Partners CPA Limited ("Elite Partners"), the Company's auditors, was engaged to report on the Group's continuing connected transactions entered into by the Company and its subsidiaries for the year from 1 April 2018 to 31 March 2019 in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants.

Elite Partners has issued its letter containing its conclusion in respect of the Transactions during the year from 1 April 2018 to 31 March 2019 disclosed above by the Group in accordance with Chapter 14A of the Listing Rules, which the letter states that:

- (a) the Transactions have been approved by the Board;
- (b) the Transactions were, in all material respects, in accordance with the pricing policies of the Group;
- (c) the Transactions were entered into, in all material respects, in accordance with the relevant agreement governing the Transactions; and
- (d) the Transactions have not exceeded the Approved Annual Cap.

A copy of the Auditors' letter has been provided by the Company to the Stock Exchange.

## 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 2019.

## EQUITY-LINKED AGREEMENTS

Save for disclosed in the sections headed "FINANCIAL REVIEW" and "BUSINESS REVIEW" in the Management Discussion and Analysis on pages 5 to 13 of this report and the section headed "SHARE OPTION SCHEME" on pages 29 to 32 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 2019 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 2019, 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.

## PERFORMANCE 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 and the verification performed by the Company's legal advisor, the 2019 Guaranteed Performance had been fulfilled, and no compensation is required to be paid by the Vendors to the Company pursuant to the Supplemental Agreement.

## 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 2019.

## 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 14 to 26 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, 24 June 2019



## **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 2019, 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 2018, our auditor's opinion on the consolidated financial statements for the year ended 31 March 2018 (the "2018 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 2018 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 2018 and 1 April 2018 and hence of the Group's financial performance and cash flows for the year ended 31 March 2019. 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**

During the current year, the Group disposed of its 24.8% equity interests in Greek Mythology for an aggregate consideration of HK\$38,000 which was satisfied by cash, there is a loss on disposal of Greek Mythology of approximately HK\$353,530,000 as included in the Group's loss for the year was properly measured. The loss was calculated based on the consideration of disposal of HK\$38,000 and the carrying amount of interest in Greek Mythology of HK\$353,568,000 at the date of disposal.



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.

In the absence of adequate supporting documents, we were unable to obtain sufficient appropriate audit evidence to determine whether the carrying amount of the interest in Greek Mythology was fairly stated and whether the accumulated impairment loss as at the date of disposal was free from material misstatement and hence the financial impact from the disposal. 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) During the year ended 31 March 2019, the amount due from Greek Mythology of approximately HK\$28,500,000 was fully impaired and impairment loss has been recognised in the statement of profit or loss in the current year.

In the absence of adequate supporting documents as mentioned in above, we were unable to obtain sufficient appropriate audit evidence to ascertain the appropriateness of the impairment 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 impairment amount in relation to the amount due from Greek Mythology and its recognition were free from material misstatement.

- (b) During the year ended 31 March 2019, the 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 approximately HK\$3,069,000 was fully written off and loss on written off has been recognised in the statement of profit or loss in the current year.

In the absence of adequate supporting documents as mentioned in above, we were unable to obtain sufficient appropriate audit evidence to determine whether the carrying amount of the said intangible assets was fairly stated and whether the amount of written off was free from material misstatement.

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 2019 and 2018 and the Group's net assets as at 31 March 2019 and 2018 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\$418,275,000 during the year ended 31 March 2019 and, as of that date, the Group's current liabilities exceeded its current assets by HK\$16,386,000.

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.

# Independent Auditor's Report

## 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.

## 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 ("HKSA") 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  
24 June 2019

# Consolidated Statement of Profit or Loss

For the year ended 31 March 2019 (Expressed in Hong Kong dollar)

	<i>Notes</i>	<b>2019</b> <b>HK\$'000</b>	2018 HK\$'000
<b>Revenue</b>	5	<b>71,218</b>	62,206
Cost of sales		<b>(33,259)</b>	(31,403)
<b>Gross profit</b>		<b>37,959</b>	30,803
Other income	6	<b>9,517</b>	1,700
Impairment losses of intangible assets	16	<b>(5,003)</b>	(24,823)
Impairment losses of other receivables	20(b)	<b>(28,500)</b>	–
Loss on disposal of interest in an associate		<b>(353,530)</b>	–
Selling and distribution expenses		–	(3,660)
Fair value change of derivative financial assets	19	<b>(156)</b>	(222)
General and administrative expenses		<b>(64,474)</b>	(53,154)
Finance costs	7	<b>(14,507)</b>	(1,160)
<b>Loss before taxation</b>	8	<b>(418,694)</b>	(50,516)
Income tax credit/(expense)	9	<b>419</b>	(218)
<b>Loss for the year</b>		<b>(418,275)</b>	(50,734)
<b>Attributable to:</b>			
Owners of the Company		<b>(418,039)</b>	(52,772)
Non-controlling interests		<b>(236)</b>	2,038
<b>Loss for the year</b>		<b>(418,275)</b>	(50,734)
<b>Loss per share</b>			
– Basic (HK cents)	14	<b>(46.16)</b>	(7.48)
– Diluted (HK cents)	14	<b>(46.16)</b>	(7.48)

The notes on pages 49 to 131 form part of these consolidated financial statements.

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2019 (Expressed in Hong Kong dollar)

	2019 HK\$'000	2018 HK\$'000
<b>Loss and total comprehensive expense for the year</b>	<b>(418,275)</b>	(50,734)
<b>Total comprehensive expense attributable to:</b>		
Owners of the Company	<b>(418,039)</b>	(52,772)
Non-controlling interests	<b>(236)</b>	2,038
	<b>(418,275)</b>	(50,734)

The notes on pages 49 to 131 form part of these consolidated financial statements.

# Consolidated Statement of Financial Position

At 31 March 2019 (Expressed in Hong Kong dollars)

	<i>Notes</i>	<b>2019</b> <b>HK\$'000</b>	2018 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	15	<b>3,082</b>	8,715
Intangible assets	16	<b>106,826</b>	127,241
Goodwill	17	<b>41,761</b>	41,761
Interest in an associate	18	–	353,568
Deposits paid for acquisition of computer software and property, plant and equipment		<b>5,742</b>	5,742
Derivative financial asset	19	–	156
		<b>157,411</b>	537,183
<b>Current assets</b>			
Trade and other receivables	20	<b>42,665</b>	52,848
Cash and cash equivalents		<b>1,201</b>	1,759
		<b>43,866</b>	54,607
<b>Current liabilities</b>			
Trade and other payables	21	<b>14,613</b>	204,864
Obligations under a finance lease	22	<b>33</b>	403
Other borrowings	23	<b>10,385</b>	10,300
Promissory notes	24	<b>19,837</b>	–
Convertible bonds	25	<b>14,410</b>	–
Tax payables		<b>974</b>	593
		<b>60,252</b>	216,160
<b>Net current liabilities</b>		<b>(16,386)</b>	(161,553)
<b>Total assets less current liabilities</b>		<b>141,025</b>	375,630
<b>Non-current liabilities</b>			
Obligations under a finance lease	22	–	33
Promissory notes	24	<b>26,638</b>	12,816
Convertible bonds	25	<b>24,237</b>	–
Deferred tax liabilities	26	<b>2,817</b>	3,616
		<b>53,692</b>	16,465
<b>NET ASSETS</b>		<b>87,333</b>	359,165

# Consolidated Statement of Financial Position

At 31 March 2019 (Expressed in Hong Kong dollars)

	<i>Notes</i>	<b>2019</b> <b>HK\$'000</b>	2018 HK\$'000
<b>Capital and reserves</b>	27		
Share capital		<b>246,495</b>	163,106
Reserves		<b>(212,135)</b>	142,850
<b>Total equity attributable to owners of the Company</b>		<b>34,360</b>	305,956
<b>Non-controlling interests</b>		<b>52,973</b>	53,209
<b>TOTAL EQUITY</b>		<b>87,333</b>	359,165

The notes on pages 49 to 131 form part of these consolidated financial statements were approved and authorised for issue by the Board of Directors on 24 June 2019 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 2019 (Expressed in Hong Kong dollars)

	Attributable to equity holders of the Company										
	Share capital	Share premium	Special reserve	Contributed surplus	Convertible Capital reserve	Convertible bonds reserve	Other reserve	Accumulated losses	Subtotal	Non-controlling interest	Total
	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 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 option	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 and 1 April 2018	163,106	519,159	(22,470)	2,180,026	22,624	—	—	(2,556,489)	305,956	53,209	359,165
Loss for the year	—	—	—	—	—	—	—	(418,039)	(418,039)	(236)	(418,275)
Total comprehensive expenses for the year	—	—	—	—	—	—	—	(418,039)	(418,039)	(236)	(418,275)
Shares issued under placing	7,800	1,286	—	—	—	—	—	—	9,086	—	9,086
Shares issued for settlement of debts	15,922	(2,679)	—	—	—	—	—	—	13,243	—	13,243
Issuance of convertible bonds	—	—	—	—	—	38,587	—	—	38,587	—	38,587
Shares issued under conversion of convertible bonds	59,667	45,631	—	—	—	(20,784)	—	—	84,514	—	84,514
Equity-settled share-based transactions	—	—	—	—	1,013	—	—	—	1,013	—	1,013
	<b>246,495</b>	<b>563,397</b>	<b>(22,470)</b>	<b>2,180,026</b>	<b>23,637</b>	<b>17,803</b>	<b>—</b>	<b>(2,974,528)</b>	<b>34,360</b>	<b>52,973</b>	<b>87,333</b>

The notes on pages 49 to 131 form part of these consolidated financial statements.

# Consolidated Statement of Cash Flows

For the year ended 31 March 2019 (Expressed in Hong Kong dollars)

	<i>Notes</i>	<b>2019</b> <b>HK\$'000</b>	2018 HK\$'000
<b>Operating activities</b>			
Loss before taxation		<b>(418,694)</b>	(50,516)
Adjustments for:			
Depreciation of property, plant and equipment	15	<b>5,936</b>	5,891
Amortisation of intangible assets	16	<b>12,343</b>	13,051
Interest expenses	7	<b>14,507</b>	1,160
Gain on disposals of property, plant and equipment	6	<b>(184)</b>	–
Loss on disposal of an associate		<b>353,530</b>	–
Impairment losses of intangible assets	16	<b>5,003</b>	24,823
Reversal of impairment loss of intangible asset	16	<b>–</b>	(1,700)
Impairment losses of amount due from an associate	20	<b>28,500</b>	–
Equity-settled share-based payment expenses	8	<b>1,013</b>	3,740
Loss on settlement of promissory notes		<b>859</b>	–
Written off of intangible assets		<b>3,069</b>	–
Fair value loss on derivative financial asset	19	<b>156</b>	222
		<b>6,038</b>	(3,329)
<b>Change in working capital</b>			
Increase in trade and other receivables		<b>(18,317)</b>	(25,029)
Increase in trade and other payables		<b>3,542</b>	1,321
<b>Net cash used in operating activities</b>			
		<b>(8,737)</b>	(27,037)
<b>Investing activities</b>			
Deposits paid for acquisition of computer software and property, plant and equipment		<b>–</b>	(1,249)
Payments for purchase of property, plant and equipment	15	<b>(439)</b>	(631)
Proceeds from disposal of property, plant and equipment		<b>320</b>	–
Cash inflow from acquisition of subsidiaries	29	<b>–</b>	279
Proceeds from disposal of an associate	18	<b>38</b>	–
<b>Net cash used in investing activities</b>			
		<b>(81)</b>	(1,601)
<b>Financing activities</b>			
Proceeds from other borrowings		<b>20,540</b>	9,140
Repayment of other borrowings		<b>(15,455)</b>	(2,590)
Shares issued under placing		<b>9,086</b>	22,417
Capital element of finance lease payments made		<b>(403)</b>	(393)
Interest element of a finance lease	7	<b>(8)</b>	(19)
Interest on other borrowings		<b>–</b>	(713)
Exercise of share options		<b>–</b>	1,380
Settlement of promissory notes		<b>(5,500)</b>	–
<b>Net cash generated from financing activities</b>			
		<b>8,260</b>	29,222
<b>Net (decrease)/increase in cash and cash equivalents</b>			
		<b>(558)</b>	584
<b>Cash and cash equivalents at beginning of the year</b>			
		<b>1,759</b>	1,175
<b>Cash and cash equivalents at end of the year</b>			
		<b>1,201</b>	1,759
<b>Analysis of cash and cash equivalents</b>			
Cash and cash equivalents		<b>1,201</b>	1,759

The notes on pages 49 to 131 form part of these consolidated financial statements.



# Notes to Consolidated Financial Statements

For the year ended 31 March 2019 (Expressed in Hong Kong dollars)

## 1. GENERAL INFORMATION

Amax International Holdings Limited (the “Company”) was incorporated and domiciled in Bermuda 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”)

### New and amended Standards and Interpretations issued that are applicable to March 2019 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 2018:

HKFRS 9	Financial instruments
HKFRS 15	Revenue from contracts with customers and the related amendments
HK(IFRIC) Interpretation 22	Foreign currency transactions and advance consideration
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial instruments with HKFRS 4 Insurance contracts
Amendments to HKAS 28	As part of the Annual Improvement to HKFRSs 2014–2016 Cycle
Amendments to HKAS 40	Transfers of investment property

#### (a) HKFRS 9 – Financial Instruments

HKFRS 9 replaces the provisions of HKAS 39 “Financial Instruments: Recognition and Measurement” that relate to the classification and measurement of financial assets and financial liabilities, impairment for financial assets and hedge accounting.

In accordance with the transitional provisions in HKFRS 9, the Group has taken the exemption under HKFRS 9 not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Differences in the carrying amounts of financial assets resulting from the adoption of HKFRS 9 are recognised in opening accumulated losses as at 1 April 2018. Accordingly, the information presented for 2018 has been presented, as previously reported, under HKAS 39.

# Notes to Consolidated Financial Statements

For the year ended 31 March 2019 (Expressed in Hong Kong dollars)

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

(CONTINUED)

**New and amended Standards and Interpretations issued that are applicable to March 2019 year-end** (CONTINUED)

(a) *HKFRS 9 – Financial Instruments* (CONTINUED)

(i) Classification and measurement

From 1 April 2018, all recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value on the basis of the Group’s business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Specifically:

- 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 amount outstanding, are subsequently measured at amortised cost;
- debt investments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are subsequently measured at fair value through other comprehensive income (“FVTOCI”);
- all other debt investments and equity investments are subsequently measured at fair value through profit or loss (“FVTPL”).

Despite the foregoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment that is not held for trading in other comprehensive income; and
- the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

# Notes to Consolidated Financial Statements

For the year ended 31 March 2019 (Expressed in Hong Kong dollars)

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

### New and amended Standards and Interpretations issued that are applicable to March 2019 year-end (CONTINUED)

#### (a) HKFRS 9 – Financial Instruments (CONTINUED)

##### (i) Classification and measurement (CONTINUED)

When a debt investment measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. In contrast, for an equity investment designated as measured at FVTOCI, the cumulative gain or loss previously recognised in other comprehensive income is not subsequently reclassified to profit or loss.

Debt instruments that are subsequently measured at amortised cost or at FVTOCI are subject to impairment (see note (ii) below).

The adoption of HKFRS 9 has not had a significant effect on the Group’s accounting policies related to financial liabilities.

On 1 April 2018 (the date of initial application of HKFRS 9), the Group has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 categories.

The following table shows the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group’s financial assets and financial liabilities as at 1 April 2018.

	<b>Original measurement category under HKAS 39</b>	<b>New measurement category under HKFRS 9</b>	<b>Original carrying amount under HKAS 39 HK\$’000</b>	<b>New carrying amount under HKFRS 9 HK\$’000</b>
Financial assets				
Derivative financial assets	FVTPL	FVTPL	156	156
Trade and other receivables	Amortised cost (Loans and receivables)	Amortised cost	52,848	52,848
Cash and cash equivalents	Amortised cost (Loans and receivables)	Amortised cost	1,759	1,759
			54,763	54,763
Financial liabilities				
Trade and other payables	Amortised cost	Amortised cost	204,864	204,864
Obligation under a finance lease	Amortised cost	Amortised cost	436	436
Other borrowing	Amortised cost	Amortised cost	10,300	10,300
Promissory notes	Amortised cost	Amortised cost	12,816	12,816
			228,416	228,416

# Notes to Consolidated Financial Statements

For the year ended 31 March 2019 (Expressed in Hong Kong dollars)

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

(CONTINUED)

New and amended Standards and Interpretations issued that are applicable to March 2019 year-end (CONTINUED)

(a) HKFRS 9 – Financial Instruments (CONTINUED)

(i) Classification and measurement (CONTINUED)

The following table reconciles the carrying amounts of financial assets at amortised cost under HKAS 39 to the carrying amounts under HKFRS 9 on transition to HKFRS 9 on 1 April 2018.

	<b>Original carrying amount under HKAS 39</b>	<b>Remeasurement (note (ii))</b>	<b>New Carrying amount under HKFRS 9</b>
	HK\$'000	HK\$'000	HK\$'000
Trade and other receivables	52,848	–	52,848
Cash and cash equivalents	1,759	–	1,759
	<u>54,607</u>	<u>–</u>	<u>54,607</u>

(ii) Impairment

The impairment of financial assets has changed from the incurred loss model under HKAS 39 to the expected credit loss model under HKFRS 9. Under the new expected loss approach, it is no longer necessary for a loss event to occur before an impairment loss is recognised. Impairment is made on the expected credit losses, which are the present value of the cash shortfalls over the expected life of the financial assets. The Group assesses on a forward looking basis the expected credit losses associated with debt instruments carried at amortised cost or FVTOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade and other receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires lifetime expected losses to be recognised from initial recognition of the receivables. The Group has established a provision matrix that is based on the Group's historical default experience, adjusted for factors that are specific to the debtors and an assessment of both the current as well as the forecast direction of conditions.

# Notes to Consolidated Financial Statements

For the year ended 31 March 2019 (Expressed in Hong Kong dollars)

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

(CONTINUED)

**New and amended Standards and Interpretations issued that are applicable to March 2019 year-end** (CONTINUED)

### *(b) HKFRS 15 Revenue from Contracts with Customers*

HKFRS 15 has replaced HKAS 11 Construction Contracts, HKAS 18 Revenue and other revenue-related interpretations. Under HKAS 11 and HKAS 18, revenue arising from construction contracts and provision of services was recognised over time whereas revenue from sale of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers. Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. HKFRS 15 has introduced additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

Based on the specific transitional provisions set out in HKFRS 15, the Group had decided to use the cumulative effect transition method and had recognised the cumulative effect of initial application of HKFRS 15 as an adjustment to the opening balance of equity as at the date of initial application (i.e. 1 April 2018). Accordingly, comparative information has not been restated and continues to be presented under HKAS 11 and HKAS 18. Also, the Group has applied the HKFRS 15 requirements only to contracts that were not completed before 1 April 2018.

Considering the nature of the Group’s principal activities, except the revenue from the investment in VIP room in Cambodia, the adoption of HKFRS 15 does not have material impact on the Group’s revenue recognition and HKFRS 15 had no material impact on amounts and/or disclosures reported in these consolidated financial statements.

#### **Investment in VIP room in Cambodia**

In prior reporting periods, revenue from investment in VIP room in Cambodia was recognised when the relevant services had been rendered and was measured at the entitlement of economic inflows of the Group from the business. Under the New Standards, revenue from investment in VIP room in Cambodia is reported after deduction of commission. The initial application of HKFRS 15 has no effect to the opening balance of equity as at the date of initial application (i.e. 1 April 2018).

# Notes to Consolidated Financial Statements

For the year ended 31 March 2019 (Expressed in Hong Kong dollars)

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

(CONTINUED)

New and amended Standards and Interpretations issued that are applicable to March 2019 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 16	Leases <sup>1</sup>
HKFRS 17	Insurance Contracts <sup>3</sup>
Amendments to HKAS 1 and HKAS 8	Definition of Material <sup>2</sup>
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement <sup>1</sup>
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures <sup>1</sup>
Amendments to HKFRS 3	Definition of a Business <sup>2</sup>
Amendments to HKFRS 9	Prepayment Features with Negative Compensation <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>4</sup>
Amendments to HKFRSs	Annual Improvements to HKFRS Standards 2015-2017 Cycle <sup>1</sup>
HK(IFRIC) Interpretation 23	Uncertainty over Income Tax Treatments <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2019

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2020

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2021

<sup>4</sup> No mandatory effective date yet determined but available for adoption

### 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.

# Notes to Consolidated Financial Statements

For the year ended 31 March 2019 (Expressed in Hong Kong dollars)

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

(CONTINUED)

### New and amended Standards and Interpretations issued that are applicable to March 2019 year-end

(CONTINUED)

#### *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 28*

The amendments require an entity to apply HKFRS 9 to other financial instruments in an associate or joint venture to which the equity method is not applied. These include long-term interests that, in substance, form part of the entity’s net investment in an associate or joint venture. An entity applies HKFRS 9 to such long-term interests before it applies paragraph 38 and paragraphs 40–43 HKAS 28.

The Directors of the Company do not anticipate that the application of the Interpretation will have a material impact on the Group’s consolidated financial statements.

#### *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.

# Notes to Consolidated Financial Statements

For the year ended 31 March 2019 (Expressed in Hong Kong dollars)

## 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 2019. The Group incurred a consolidated net loss from operations attributable to owners of the Company of approximately HK\$418,039,000 for the year ended 31 March 2019, and had consolidated net current liabilities of approximately HK\$16,386,000 as at 31 March 2019.

In order to improve the Group's operating and financial position, the Company is in the progress of disposing of its non-performing assets and proactively looking for investment opportunities. In addition, it came to the attention of the directors that a promissory note of HK\$20,000,000, which was included in the current liabilities of the Group, has been settled after the reporting period. Having taken into account of the abovementioned, the directors adopted the going concern basis in the preparation of the consolidated financial statements.

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 2019 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.



# Notes to Consolidated Financial Statements

For the year ended 31 March 2019 (Expressed in Hong Kong dollars)

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (b) Basis of preparation (CONTINUED)

#### (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.

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.

# Notes to Consolidated Financial Statements

For the year ended 31 March 2019 (Expressed in Hong Kong dollars)

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (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 2019 (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 2019 (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 2019 (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 2019 (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 2019 (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 2019 (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) Other financial assets

#### *Classification of financial assets*

#### *Accounting policy prior to 1 April 2018*

All financial assets are initially measured at fair value on initial recognition. Transaction costs that are directly attributable to the acquisition of financial assets (other than financial assets held for trading and those designated at fair value through profit or loss) (FVTPL) are added to the fair value of the financial assets on initial recognition. Transaction costs directly attributable to the acquisition of held for trading and FVTPL investments are recognised in profit or loss immediately.

Financial assets that are classified as “loans and receivables” or “held-to-maturity investments” are subsequently measured at amortised cost using an effective interest rate, less impairment.

Available-for-sale (AFS) equity investments are subsequently measured at fair value with changes in fair value being recognised in other comprehensive income accumulated under “AFS investment revaluation reserve”. Amounts previously recognised in “AFS investment revaluation reserve” are reclassified to profit or loss upon impairment or disposal.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are subsequently measured at cost less impairment.

Dividends from AFS equity instruments are recognised in profit or loss when the Group’s right to receive the dividends is established.

Available-for-debt investments are subsequently measured at fair value with changes in fair value being recognised in other comprehensive income accumulated under “AFS investment revaluation reserve” except for (a) interest income measured using the effective interest method and (b) foreign exchange gains or losses determined based on the amortised cost of debt investments are recognised in profit or loss.

Held-for-trading investments and FVTPL assets are subsequently measured at fair value, with changes in fair value being recognised in profit or loss.



# Notes to Consolidated Financial Statements

For the year ended 31 March 2019 (Expressed in Hong Kong dollars)

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (j) Other financial assets (CONTINUED)

#### *Classification of financial assets (CONTINUED)*

#### *Accounting policy from 1 April 2018*

#### *Investments in equity securities (other than investments in subsidiaries, associates and joint ventures)*

An investment in equity securities is measured at fair value on initial recognition. An investment in equity securities is subsequently measured at FVTPL unless the investment is designated as at fair value through other comprehensive income (FVTOCI) on initial recognition of the investment. Under HKFRS 9, an investment in equity securities can be designated as at FVTOCI on an instrument-by-instrument basis provided that the investment is neither held-for-trading nor contingent consideration recognised by the Group in a business combination to which HKFRS 3 applies.

For investments in equity securities designated as at FVTOCI (as described above), fair value changes are recognised in other comprehensive income and accumulated in the "FVTOCI (equity investment) reserve". Such fair value changes will not be reclassified to profit or loss when the investments are derecognised. However, they will be transferred to the Group's retained earnings when the investments are derecognised.

For investments in equity securities that are held-for-trading or not designated as at FVTOCI (as described above), they are subsequently measured at fair value through profit or loss (FVTPL) such that changes in fair value are recognised in profit or loss.

An investment in equity securities is derecognised when the Group sells the investment.

#### *Investments in debt securities*

An investment in debt securities is classified as follows depending on the instruments' contractual cash flow characteristics and the Group's business model for managing the investment:

- Amortised cost when (a) the contractual terms of the asset give rise on specified dates to cash flows that are solely payment of principal and interest on the principal amount outstanding and (b) the financial asset is held within a business model whose objective is achieved by collecting contractual cash flows.
- FVTOCI when (a) the contractual terms of the asset give rise on specified dates to cash flows that are solely payment of principal and interest on the principal amount outstanding and (b) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial asset.
- FVTPL when either (a) the contractual terms of the asset give rise on specified dates to cash flows that are not solely payment of principal and interest on the principal amount outstanding or (b) the financial asset is held within a business whose objective is neither (i) collecting contractual cash flows nor (ii) collecting contractual cash flows and selling the financial asset.

# Notes to Consolidated Financial Statements

For the year ended 31 March 2019 (Expressed in Hong Kong dollars)

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (j) Other financial assets (CONTINUED)

#### *Classification of financial assets (CONTINUED)*

#### *Accounting policy from 1 April 2018 (CONTINUED)*

#### *Investments in debt securities (CONTINUED)*

For investments in debt securities subsequently measured at FVTOCI, fair value changes are recognised in other comprehensive income and accumulated in the "FVTOCI (debt investment) reserve" except for impairment loss (see below) and foreign exchange gains or losses. Interest income is calculated using the effective interest method and is recognised in profit or loss. When an investment in debt securities is derecognised, the fair value changes previously recognised in other comprehensive income are reclassified from equity to profit or loss as a reclassification adjustment.

An investment in debt securities is derecognised when the Group sells the investment or when the contractual rights to the cash flows from the asset expire.

#### *Transaction costs*

Transaction costs directly attributable for the acquisition of financial assets (other than those classified or designated as at FVTPL) are included in the initial measurement of the financial assets. For financial assets subsequently measured at amortised cost, such transaction costs are included in the calculation of amortised cost using the effective interest method (i.e. in effect amortised through profit or loss over the lives of the financial assets). For investments in equity securities at FVTOCI, such transaction costs are recognised in other comprehensive income as part of change in fair value at the next remeasurement. For investments in debt securities classified as FVTOCI, such transaction costs are amortised to profit or loss using the effective interest method (i.e. in effect amortised through profit or loss over the lives of the financial assets).

#### *Impairment on financial assets*

#### *Accounting policy prior to 1 April 2018*

Prior to 1 April 2018, the Group had adopted "incurred loss model" in assessing and measuring impairment losses on financial assets. Under the "incurred loss model", an impairment loss was recognised when there was objective indicators of impairment which included:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and
- significant changes in the technology, market, economic or legal environment that have an adverse effect on the debtor.

# Notes to Consolidated Financial Statements

For the year ended 31 March 2019 (Expressed in Hong Kong dollars)

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (j) Other financial assets (CONTINUED)

#### *Impairment on financial assets (CONTINUED)*

#### *Accounting policy from 1 April 2018*

The Group has applied the expected credit loss model under HKFRS 9 to the following types of financial assets:

- financial assets that are subsequently measured at amortised cost (including cash and cash equivalents and accounts receivables);
- contract assets as defined in HKFRS 15; and
- investments in debt securities that are subsequently measured at FVTOCI;

Expected credit loss (ECL) of a financial asset is measured based on an unbiased and probability-weighted amount. It also reflects the time value of money and reasonable and supportable information that is available to the Group without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions. The maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

ECL is measured on either of the following bases:

- 12-month expected credit loss when, at the reporting date, the credit risk on a financial asset has not increased significantly since initial recognition; and
- Lifetime expected credit loss when (a) at the reporting date, the credit risk on a financial asset has increased significantly since initial recognition; or (b) at the reporting date, the financial asset has become credit-impaired.

In assessing whether the credit risk on a financial asset has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial asset as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers quantitative and qualitative reasonable and supportable information that is available to the Group without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition.

# Notes to Consolidated Financial Statements

For the year ended 31 March 2019 (Expressed in Hong Kong dollars)

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (j) Other financial assets (CONTINUED)

#### *Impairment on financial assets (CONTINUED)*

#### *Accounting policy from 1 April 2018 (CONTINUED)*

Specifically, the following information has been taken into account in assessing whether the credit risk on a financial asset has significantly increased since initial recognition:

- Significant changes in internal price indicators of credit risk as a result of a change in credit risk since inception.
- Significant changes in terms of existing financial assets if the asset was newly originated or issued at the reporting date.
- Significant changes in external market indicators of credit risk for a particular financial instrument or similar financial instruments with the same expected life.
- An actual or expected significant change in the financial instrument's external credit rating.
- An actual or expected internal credit rating downgrade for the borrower or decrease in behavioural scoring used to assess credit risk internally.
- Existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant change in the borrower's ability to meet its debt obligations (e.g. actual or expected increase in interest rates or an actual or expected significant increase in unemployment rates).
- Actual or expected significant change in the operating results of the borrower.
- Significant change in the quality of guarantee provided.
- Contractual cash flows are more than 30s past due.

In making the abovementioned assessment, the Group considers that a default occurs when (a) it is unlikely that the borrower will be able to settle his/her debts in full and (b) the financial asset is more than 90 days past due.

ECL is remeasured at the end of each reporting period to reflect changes in financial asset's credit risk since initial recognition. Changes in ECL are recognised in profit or loss with the corresponding adjustment to the carrying amount of the asset through a loss allowance account, except for investments in debt securities that are subsequently measured at FVTOCI for which the corresponding adjustment is recognised in other comprehensive income and accumulated in "FVTOCI (debt investment) reserve".

For accounts receivables and contract assets without significant financing component, ECL is always measured at an amount equal to lifetime expected credit losses.

# Notes to Consolidated Financial Statements

For the year ended 31 March 2019 (Expressed in Hong Kong dollars)

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (j) Other financial assets (CONTINUED)

#### *Impairment on financial assets (CONTINUED)*

#### *Accounting policy from 1 April 2018 (CONTINUED)*

At the end of each of the reporting period, the Group assesses whether its financial assets have become credit impaired.

The Group directly reduces the gross carrying amount of a financial asset when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. This is generally the time when the Group assesses and concludes that the debtor is unable to settle the debts in full or part of the.

### (k) Accounts and other receivables

#### *Accounting policy prior to 1 April 2018*

A provision for impairment of accounts and other receivables is established when there is objective evidence that the Group will not be able to collect the amounts due.

#### *Accounting policy from 1 April 2018*

Accounts receivables are recognised when the Group has an unconditional right to receive consideration. The Group has an unconditional right to receive consideration when only the passage of time is required before payment of the consideration is due.

For the Group's accounts receivables, ECL is always measured at an amount equal to lifetime expected credit losses. In particular, ECL is estimated using a provision of matrix based on the Group's historical credit loss experience, adjusted for (a) information that is specific to particular debtors and (b) forward-looking information based on the current and forecast general economic conditions available to the Group without undue cost or effort at the reporting date. ECL is recognised in profit or loss with the corresponding adjustment to the carrying amount of the accounts receivables through a loss allowance account.

The Group directly reduces the gross carrying amount of a financial asset when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. This is generally the time when the Group assesses and concludes that the debtor is unable to settle the debts in full or part of the debts (e.g. future for a debt to make contractual payments of more than 90 days).

# Notes to Consolidated Financial Statements

For the year ended 31 March 2019 (Expressed in Hong Kong dollars)

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (I) Financial liabilities

#### *Accounting policy prior to 1 April 2018*

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at fair value through profit or loss are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

#### Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and other payables, borrowings, certain preference shares and the debt element of convertible loan note issued by the Group are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

#### Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

#### Equity instruments

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

#### Derecognition

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

Where the Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the year.

# Notes to Consolidated Financial Statements

For the year ended 31 March 2019 (Expressed in Hong Kong dollars)

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (I) Financial liabilities (CONTINUED)

#### *Accounting policy from 1 April 2018*

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at fair value through profit or loss are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

#### *Financial liabilities at fair value through profit or loss*

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial liability at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial liabilities may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis; (ii) the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial liability contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

#### *Financial liabilities at amortised cost*

Financial liabilities at amortised cost including trade and other payables, borrowings, certain preference shares and the debt element of convertible loan note issued by the Group are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

# Notes to Consolidated Financial Statements

For the year ended 31 March 2019 (Expressed in Hong Kong dollars)

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (l) Financial liabilities (CONTINUED)

*Accounting policy from 1 April 2018 (CONTINUED)*

#### Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

#### Equity instruments

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

#### Derecognition

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

Where the Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the year.

### (m) Contract assets and contract liabilities

*Accounting policy from 1 April 2018*

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer when that right is conditioned on something other than the passage of time.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration from the customer.

For a single contract with a customer, either a net contract asset or a net contract liability is presented. Contracts assets and contract liabilities arising from unrelated multiple contracts are not presented on a net basis.

As mentioned in above, the Group has applied HKFRS 15 for the first time for the current year using the cumulative effect transition method. Adjustments were made as at 1 January 2018 to reclassify certain amounts from "trade and other receivables" and "gross amount due from customers" to "contract assets" and certain amounts from "trade and other payables" and "gross amount due to customers" to "contract liabilities".



# Notes to Consolidated Financial Statements

For the year ended 31 March 2019 (Expressed in Hong Kong dollars)

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (m) Contract assets and contract liabilities (CONTINUED)

#### *Accounting policy from 1 April 2018 (CONTINUED)*

For the Group's contract assets, ECL is always measured at an amount equal to lifetime expected credit losses. In particular, ECL is estimated using a provision of matrix based on the Group's historical credit loss experience, adjusted for (a) information that is specific to particular customers available and (b) forward-looking information based on the current and forecast general economic conditions at the reporting date. ECL is recognised in profit or loss with the corresponding adjustment to the carrying amount of the contract assets through a loss allowance account.

The Group directly reduces the gross carrying amount of a contract asset when the Group has no reasonable expectations of recovering a contract asset in its entirety or a portion thereof. This is generally the time when the Group assesses and concludes that the Group is unable to recover the costs.

### (n) 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 2019 (Expressed in Hong Kong dollars)

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (o) 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.

### (p) 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.

### (q) 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 2019 (Expressed in Hong Kong dollars)

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (q) 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 after deduction of commission.

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

Services income is recognised when services are provided.

### (r) 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 exchanges 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 2019 (Expressed in Hong Kong dollars)

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (s) 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 2019 (Expressed in Hong Kong dollars)

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (t) 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.

### (u) 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 2019 (Expressed in Hong Kong dollars)

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (v) 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 2019 (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 years ended 31 March 2018 and 2019, 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.

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	2019 AR/VR and mobile games solutions HK\$'000	Total HK\$'000
Segment revenue			
External	64,071	7,147	71,218
Timing of revenue recognition			
As a point in time	61,671	7,147	68,818
Overtime	2,400	-	2,400
	64,071	7,147	71,218
Segment results	13,676	2,454	16,130
Reconciliation:			
Other income			9,333
Gain on disposal of property, plant and equipment			184
Loss on promissory note settlement			(859)
Loss on written off of intangible asset			(3,069)
Loss on disposal of an associate			(353,530)
Impairment loss of amount due from an associate			(28,500)
Share-based payments			(1,013)
Amortisation of intangible assets			(12,343)
Fair value change of derivative financial assets			(156)
Unallocated corporate expenses			(30,364)
Unallocated finance costs			(14,507)
Loss before taxation			(418,694)

# Notes to Consolidated Financial Statements

For the year ended 31 March 2019 (Expressed in Hong Kong dollars)

## 4. SEGMENT REPORT (CONTINUED)

### (a) Segment revenue and results (CONTINUED)

	Gaming and entertainment HK\$'000	2018 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 2019 (Expressed in Hong Kong dollars)

## 4. SEGMENT REPORT (CONTINUED)

### (b) Segment assets and liabilities

*For the year ended 2019*

	<b>Gaming and entertainment HK\$'000</b>	<b>AR/VR and mobile games solutions HK\$'000</b>	<b>Total HK\$'000</b>
<b>Assets</b>			
Segment assets	<u>100,868</u>	<u>96,849</u>	<u>197,717</u>
Unallocated corporate assets			<u>3,560</u>
Consolidated total assets			<u>201,277</u>
<b>Liabilities</b>			
Segment liabilities	<u>3,976</u>	<u>4,438</u>	<u>8,414</u>
Unallocated corporate liabilities			<u>105,530</u>
Consolidated total liabilities			<u>113,944</u>

*For the year ended 2018*

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

# Notes to Consolidated Financial Statements

For the year ended 31 March 2019 (Expressed in Hong Kong dollars)

## 4. SEGMENT REPORT (CONTINUED)

### (b) Segment assets and liabilities (CONTINUED)

For the year ended 2019

	Gaming and entertainment HK\$'000	AR/VR and mobile games solutions HK\$'000	Other HK\$'000	Total HK\$'000
<b>Other segment information</b>				
Amounts included in the measure of segment profit or loss or segment assets				
Addition of property, plant and equipment	-	103	336	439
Depreciation of property, plant and equipment	5,210	115	611	5,936
Finance costs	-	-	14,507	14,507
Income tax credit	-	(419)	-	(419)
Amortisation of intangible assets	7,497	4,846	-	12,343

For the year ended 2018

	Gaming and entertainment HK\$'000	AR/VR and mobile games solutions HK\$'000	Other HK\$'000	Total HK\$'000
<b>Other segment information</b>				
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	10,780	2,271	-	13,051

# Notes to Consolidated Financial Statements

For the year ended 31 March 2019 (Expressed in Hong Kong dollars)

## 4. SEGMENT REPORT (CONTINUED)

### (c) Major customer

Revenue of HK\$2,400,000 (2018: HK\$4,800,000) was receivable from Greek Mythology, a former associate of the Group, for the year ended 31 March 2019.

No other single customer contracted 10% or more to the Group's revenue for 2019 and 2018.

### (d) Geographical

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

	2019 HK\$'000	2018 HK\$'000
Macau	2,400	4,800
Republic of Vanuatu ("Vanuatu")	10,230	17,738
Hong Kong	7,147	5,530
Kingdom of Cambodia ("Cambodia")	51,441	34,138
	<b>71,218</b>	62,206

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

	2019 HK\$'000	2018 HK\$'000
Macau	-	357,660
Vanuatu	6,477	11,577
Hong Kong	149,286	166,032
Cambodia	1,648	1,758
	<b>157,411</b>	537,027

# Notes to Consolidated Financial Statements

For the year ended 31 March 2019 (Expressed in Hong Kong dollars)

## 5. REVENUE

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

	2019 HK\$'000	2018 HK\$'000
Revenue from investments in gaming and entertainment related businesses		
– Investment in VIP gaming tables related operation	1,800	3,600
– Investment in slot machines related operation	600	1,200
– Investment in gaming operation in Vanuatu	10,230	17,738
– Investment in VIP room in Cambodia		
Net gaming win	87,648	34,138
Less: Commission	(36,207)	–
Services income derived from AR/VR and mobile games solutions	7,147	5,530
	<b>71,218</b>	62,206

### (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. The right was terminated on 1 October 2018.

	2019 HK\$'000	2018 HK\$'000
Income	1,800	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. The right was terminated on 1 October 2018.

	2019 HK\$'000	2018 HK\$'000
Income	600	1,200

# Notes to Consolidated Financial Statements

For the year ended 31 March 2019 (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 after deduction of commission.

### (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:

	2019 HK\$'000	2018 HK\$'000
Consultancy fee income	9,000	–
Reversal of impairment loss on intangible asset	–	1,700
Gain on disposed of property, plant and equipment	184	–
Sundry income	333	–
	<b>9,517</b>	1,700

## 7. FINANCE COSTS

	2019 HK\$'000	2018 HK\$'000
Interest on promissory notes	5,024	326
Finance charges on obligations under a finance lease	8	19
Interest on other borrowings	209	815
Interest on convertible bonds	9,266	–
Total interest expenses on financial liabilities not at fair value through profit or loss	<b>14,507</b>	1,160

# Notes to Consolidated Financial Statements

For the year ended 31 March 2019 (Expressed in Hong Kong dollars)

## 8. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

### (a) Staff costs (including directors' emoluments)

	2019 HK\$'000	2018 HK\$'000
Equity-settled share-based payment expenses	639	1,825
Salaries, allowance and other benefits	9,944	9,781
Contributions to defined contribution retirement plans	216	163
	<b>10,799</b>	11,769

### (b) Other items

	2019 HK\$'000	2018 HK\$'000
Depreciation of property, plant and equipment	5,936	5,891
Amortisation of intangible assets	12,343	13,051
Auditor's remuneration	1,082	930
Equity-settled share-based payment expenses to consultants	374	1,915
Loss on written off of intangible assets	3,069	-
Loss on settlement of promissory notes	859	-
Operating lease charges in respect of premises: - minimum lease payments	<b>12,259</b>	7,488

# Notes to Consolidated Financial Statements

For the year ended 31 March 2019 (Expressed in Hong Kong dollars)

## 9. INCOME TAX CREDIT/(EXPENSE)

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% (2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

	<b>2019</b>	2018
	<b>HK\$'000</b>	HK\$'000
Hong Kong Profits Tax		
Current year provision	<b>(380)</b>	(593)
Deferred tax		
In respect of current year	<b>799</b>	375
Total tax credit/(expense) for the year	<b>419</b>	(218)

Reconciliation between tax expense and accounting loss at applicable tax rates

	<b>2019</b>	2018
	<b>HK\$'000</b>	HK\$'000
Loss before taxation	<b>(418,694)</b>	(50,516)
Notional tax on (loss)/profit before taxation, calculated at the rates applicable to (loss)/profit in the tax jurisdictions concerned	<b>(420)</b>	591
Tax effect of non-deductible expenses	<b>(8)</b>	274
Tax effect of non-taxable income	<b>-</b>	(281)
Tax effect of temporary difference not recognised	<b>9</b>	(8)
Tax effect of utilisation of tax loss not recognised in prior year	<b>-</b>	(358)
	<b>(419)</b>	218

# Notes to Consolidated Financial Statements

For the year ended 31 March 2019 (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 2019

	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
<b>Executive Directors</b>					
Mr. Ng Man Sun ( <i>Chairman and Chief Executive Officer</i> )	-	1,426	29	-	1,455
Ms. Ng Wai Yee	-	708	29	18	755
<b>Independent Non-executive Directors</b>					
Ms. Yeung Pui Han, Regina	144	-	29	-	173
Mr. Li Chi Fai	156	-	29	-	185
Ms. Sie Nien Che, Celia	144	-	29	-	173
	<u>444</u>	<u>2,134</u>	<u>145</u>	<u>18</u>	<u>2,741</u>

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
<b>Executive Directors</b>					
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
<b>Independent Non-executive Directors</b>					
Ms. Yeung Pui Han, Regina	144	-	47	-	191
Mr. Li Chi Fai	156	-	47	-	203
Ms. Sie Nien Che, Celia	144	-	47	-	191
	<u>444</u>	<u>4,502</u>	<u>1,079</u>	<u>18</u>	<u>6,043</u>

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 28.

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 2019 (Expressed in Hong Kong dollars)

## 10. DIRECTORS' EMOLUMENTS (CONTINUED)

During the year, no emoluments (2018: 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 2019 and 2018.

## 11. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two (2018: two) are Directors of the Company whose emoluments are disclosed in note 10 above. The emoluments of the remaining three (2018: three) individuals are as follows:

	2019 HK\$'000	2018 HK\$'000
Salaries and other emoluments	3,166	2,837
Equity-settled share-based payments	494	480
Retirement scheme contributions	54	54
	<b>3,714</b>	<b>3,371</b>

The emoluments of the three (2018: three) individuals with highest emoluments are within the following band:

	2019 Number of individuals	2018 Number of individuals
HK\$Nil-HK\$1,000,000	1	2
HK\$1,000,001-HK\$1,500,000	2	1

## 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 2019 (Expressed in Hong Kong dollars)

## 12. RETIREMENT BENEFIT COSTS (CONTINUED)

### Defined contribution retirement plan (CONTINUED)

The total costs charged to the consolidated statement of profit or loss for the year ended 31 March 2019 of approximately HK\$216,000 (2018: HK\$163,000) 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 2019 (2018: 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\$418,039,000 (2018: HK\$52,772,000) and the weighted average number of 905,627,000 (2018: 705,533,000) ordinary shares in issue during the year.

### (b) Diluted loss per share

No adjustment has been made to basic loss per share amounts presented for the year ended 31 March 2019 in respect of the potential dilution of share options and convertible bonds as the impact of the share options and convertible bonds had an anti-dilutive effect on the basic loss per share amounts presented.

No adjustment has been made to the basic loss per share amounts presented for the year ended 31 March 2018 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 2019 (Expressed in Hong Kong dollars)

## 15. PROPERTY, PLANT AND EQUIPMENT

	<b>Leasehold improvements</b> HK\$'000	<b>Furniture and equipment</b> HK\$'000	<b>Motor vehicles</b> HK\$'000	<b>Total</b> HK\$'000
<b>Costs</b>				
At 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 and 1 April 2018	2,643	17,041	3,227	22,911
Additions	300	139	—	439
Disposal	(370)	—	(816)	(1,186)
At 31 March 2019	2,573	17,180	2,411	22,164
<b>Accumulated depreciation</b>				
At 1 April 2017	1,215	5,087	1,794	8,096
Charge for the year	745	4,597	549	5,891
Written back on disposals through disposal of subsidiaries	—	238	—	238
Exchange realignment	—	(29)	—	(29)
At 31 March 2018 and 1 April 2018	1,960	9,893	2,343	14,196
Charge for the year	741	4,673	522	5,936
Written back on disposal	(370)	—	(680)	(1,050)
At 31 March 2019	2,331	14,566	2,185	19,082
<b>Net carrying amounts</b>				
At 31 March 2019	242	2,614	226	3,082
At 31 March 2018	683	7,148	884	8,715

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\$Nil (2018: HK\$722,000).

# Notes to Consolidated Financial Statements

For the year ended 31 March 2019 (Expressed in Hong Kong dollars)

## 16. INTANGIBLE ASSETS

	Mobile game applications HK\$'000	Right in sharing of profit stream of 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
<b>Cost</b>							
At 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
Written off	—	(20,000)	(47,092)	—	—	—	(67,092)
At 31 March 2019	30,600	—	—	153,488	24,100	88	208,276
<b>Amortisation and impairment</b>							
At 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 and 1 April 2018	600	16,929	46,071	82,253	2,209	65	148,127
Charge for the year	—	768	255	6,477	4,820	23	12,343
Impairment	—	—	—	5,003	—	—	5,003
Written off	—	(17,697)	(46,326)	—	—	—	(64,023)
At 31 March 2019	600	—	—	93,733	7,029	88	101,450
<b>Carrying amount</b>							
At 31 March 2019	30,000	—	—	59,755	17,071	—	106,826
At 31 March 2018	30,000	3,071	1,021	71,235	21,891	23	127,241

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 2019 (Expressed in Hong Kong dollars)

## 16. INTANGIBLE ASSETS (CONTINUED)

Notes:

- (1) 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. On 1 September 2018, the Company issued terminate letter to Greek Mythology to terminate the certain rights with effect on 1 October 2018 and write off these intangible assets.
- (2) 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\$5,003,000 (2018: HK\$24,823,000) was recognised in the consolidated statement of profit of 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 26% (2018: 24%) 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% (2018: 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.

- (3) 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 2019 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 no impairment loss (2018: reversal impairment loss of approximately HK\$1,700,000) was recognised in the consolidated statement of profit of loss.

In June 2019, 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 has not been completed at the reporting date.

- (4) 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 of 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 19% (2018: 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.

- (5) 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 2019 (Expressed in Hong Kong dollars)

## 17. GOODWILL

	HK\$'000
<b>Cost and net carrying amount</b>	
At 1 April 2017	—
Acquisition of subsidiaries	41,761
At 31 March 2018, 1 April 2018 and 31 March 2019	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 19% (2018: 21%) per annum. Cash flows beyond the 5-year period are extrapolated with 3% (2018: 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 and 2019 respectively.

## 18. INTEREST IN AN ASSOCIATE

	2019 HK\$'000	2018 HK\$'000
Unlisted shares, at cost	—	—
Share of net assets	—	1,191,209
Sub-total	—	1,191,209
Less: impairment loss	—	(837,641)
	—	353,568

# Notes to Consolidated Financial Statements

For the year ended 31 March 2019 (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
Gross amounts of the associate's	
Total assets	5,037,959
Total liabilities	(234,694)
Equity	4,803,265
Revenue	N/A
Profit/(loss)	N/A
Reconciliation to the Group's interest in the associate	
Gross amounts of net assets of the associate	4,803,265
Group's effective interest	24.8%
Group's share of net assets of the associate	1,191,209
Impairment	(837,641)
Carrying amount in the consolidated financial statements	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 2019 (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.

The Company has disposed the 24.8% equity interest of the Greek Mythology on 29 March 2019 to an independent third party with consideration HK\$38,000.

## 19. DERIVATIVE FINANCIAL ASSET

	2019 HK\$'000	2018 HK\$'000
As at 1 April	156	—
Acquisition of subsidiaries	—	378
Fair value changes reclassified to profit or loss	(156)	(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 details of the contingent consideration, please refer to note 29.



# Notes to Consolidated Financial Statements

For the year ended 31 March 2019 (Expressed in Hong Kong dollars)

## 20. TRADE AND OTHER RECEIVABLES

	<b>2019</b> <b>HK\$'000</b>	2018 HK\$'000
Trade receivables (a)	<b>1,491</b>	2,618
Other receivables (b)	<b>36,831</b>	20,655
Due from an associate (c)	–	26,100
Rental and other deposits	<b>3,845</b>	2,360
Loans and receivables	<b>42,167</b>	51,733
Prepayments	<b>498</b>	1,115
	<b>42,665</b>	52,848

### (a) Trade receivables

	<b>2019</b> <b>HK\$'000</b>	2018 HK\$'000
Trade receivables	<b>1,491</b>	2,618

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

	<b>2019</b> <b>HK\$'000</b>	2018 HK\$'000
0–90 days	<b>991</b>	2,118
Over 180 days, but within 1 year	<b>500</b>	500
	<b>1,491</b>	2,618

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

	<b>2019</b> <b>HK\$'000</b>	2018 HK\$'000
Over 180 days	<b>500</b>	500

# Notes to Consolidated Financial Statements

For the year ended 31 March 2019 (Expressed in Hong Kong dollars)

## 20. TRADE AND OTHER RECEIVABLES (CONTINUED)

### (b) Other receivables

	2019 HK\$'000	2018 HK\$'000
Other receivables	154,198	45,955
Less: Impairment loss	<u>(117,367)</u>	<u>(25,300)</u>
	<b>36,831</b>	20,655

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

	2019 HK\$'000	2018 HK\$'000
At the beginning	25,300	25,300
Transfer from impairment losses for due from an associate	63,567	–
Impairment loss recognised	<u>28,500</u>	<u>–</u>
At the end of the year	<b>117,367</b>	25,300

An allowance for impairment loss of HK\$117,367,000 (2017: HK\$25,300,000) was recognised based upon the Directors' estimation of the recoverable amount.

### (c) Due from an associate

	2019 HK\$'000	2018 HK\$'000
Due from an associate	–	89,667
Less: impairment loss	<u>–</u>	<u>(63,567)</u>
	<b>–</b>	26,100

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

	2019 HK\$'000	2018 HK\$'000
At the beginning	63,567	63,567
Transfer to impairment losses for other receivables	<u>(63,567)</u>	<u>–</u>
At the end of the year	<b>–</b>	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. As the Company has disposed of Greek Mythology, the amount due from an associate has transferred to other receivables.

# Notes to Consolidated Financial Statements

For the year ended 31 March 2019 (Expressed in Hong Kong dollars)

## 21. TRADE AND OTHER PAYABLES

	<b>2019</b> <b>HK\$'000</b>	2018 HK\$'000
Accruals and other payables (a)	<b>13,829</b>	204,380
Due to related companies (b)	<b>784</b>	484
	<b>14,613</b>	204,864

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. 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 vehicle. This lease is classified as finance lease and has remaining lease term not exceeding 1 year. The effective borrowing rate was 2% (2018: 2%) per annum. The lease is on a fixed repayment basis and no arrangement has been entered into for contingent rental payment:

	<b>Minimum lease payments</b>		<b>Present value of minimum lease payments</b>	
	<b>At 2019</b> <b>HK\$'000</b>	At 2018 HK\$'000	<b>At 2019</b> <b>HK\$'000</b>	At 2018 HK\$'000
Amounts payable:				
Within one year	<b>34</b>	411	<b>33</b>	403
In the second year	<b>—</b>	34	<b>—</b>	33
Total minimum finance lease payments	<b>34</b>	445	<b>33</b>	436
Future finance charges	<b>(1)</b>	(9)		
Total net finance lease payables	<b>33</b>	436		
Portion classified as current liabilities	<b>33</b>	403		
Non-current portion	<b>—</b>	33		

# Notes to Consolidated Financial Statements

For the year ended 31 March 2019 (Expressed in Hong Kong dollars)

## 23. OTHER BORROWINGS

### For the year ended 31 March 2019

The other borrowing was loan from a director, Mr. Ng Man Sun with amount HK\$10,385,000 (2018: Nil) which are interest free, unsecured and repayable on demand.

### For the year ended 31 March 2018

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

Other borrowings with amount HK\$8,700,000 are unsecured, interest bearing from 24% to 42% and repayable within one year.

Movement of the other borrowings is as follows:

	2019 HK\$'000	2018 HK\$'000
At 1 April	10,300	3,750
Addition	20,540	9,140
Settlement by issuing of shares	(5,000)	—
Repayment	(15,455)	(2,590)
At 31 March	10,385	10,300

## 24. PROMISSORY NOTES

	2019 HK\$'000	2018 HK\$'000
At the beginning of the year	12,816	—
Issuance of promissory notes	50,000	14,000
Fair value adjustment	(7,853)	(1,510)
Effective interest on promissory notes (Note 7)	5,024	326
Settlement of promissory notes	(13,512)	—
At the end of the year	46,475	12,816
Portion classified as current liabilities	(19,837)	—
Non-current portion	26,638	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\$696,000 (2018: HK\$326,000) was charged to profit or loss. The promissory notes were settled on 4 March 2019.
- (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.

# Notes to Consolidated Financial Statements

For the year ended 31 March 2019 (Expressed in Hong Kong dollars)

## 24. PROMISSORY NOTES (CONTINUED)

Notes: (CONTINUED)

- (3) 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.

On 18 March 2016 and 15 September 2016, the Company issued two separate writ of summons in the Court of First Instance of the High Court of Hong Kong claiming against Ms. Lee Bing ("Ms. Lee") and Mr. Wu Weide ("Mr. Wu").

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 the settlement as follow:

- i) 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 ("PN1") 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 issuance of promissory notes;
  - (c) the sum of HK\$30,000,000 by the issuance of promissory notes ("PN2") in favour of the Holders and with a maturity date falling on the last business day of the period of eighteen calendar months after the issuance of promissory notes; and
  - (d) the balance of HK\$30,000,000 to be satisfied by the issuance by the Company of convertible bonds in favour of the Holders ("CB1") at a conversion price of HK\$0.249 per share. In case the Holders intend to sell, transfer, assign or dispose of the CB1 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;
- and
- ii) 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 the total sum of HK\$104,500,000 of the PNs was settled by issuing the convertible bonds ("CB2") at a conversion price of HK\$0.3 per share.

The above settlement have been approved by the independent shareholders at a special general meeting of the Company held on 19 June 2018. All the PN1, PN2, CB1 and CB2 were issued on 23 July 2018.

The PN1 and PN2 are interest free and fall due on 23 April 2019 and 23 January 2020 respectively. The fair values of PN1 and PN2 at the date of issuance were approximately HK\$18,064,000 and HK\$24,083,000 respectively. The PN1 and PN2 are subsequently measured at amortised cost, using effective interest rate of 14.53% and 15.73% respectively. As at 31 March 2019, imputed interest of PN1 and PN2 were approximately HK\$1,773,000 and HK\$2,555,000 respectively and were charged to profit or loss.

# Notes to Consolidated Financial Statements

For the year ended 31 March 2019 (Expressed in Hong Kong dollars)

## 25. CONVERTIBLE BONDS

The liabilities component of convertible bonds is as follows:

	2019 HK\$'000	2018 HK\$'000
CB1	24,237	—
CB2	14,410	—
At the end of the year	38,647	—
Portion classified as current liabilities	(14,410)	—
Non-current portion	24,237	—

As mentioned in note 24 to the condensed consolidated interim financial statements, the Company issued CB1 and CB2 to settle part of the PNs.

### CB1

The principal amount of CB1 is HK\$30,000,000. The holders of the CB1 will be able to convert the outstanding principal amount into ordinary shares of the Company at a conversion price of HK\$0.249 per conversion share (subject to be customary anti-dilutive adjustments) until the maturity date (i.e. 23 October 2020). The Company is not entitled to redeem all or part of the principal amount of CB1 before the maturity date. The CB1 is not interest bearing.

The CB1 is determined to be a compound financial instrument with a conversion option, that will or may be settled by an exchange of a fixed number of ordinary shares of the Company for a fixed amount of cash, being treated as equity. The liability components include host debt component (being the Company's obligation to pay the principal amount of the CB1 on maturity date if the CB1 is not converted or redeemed).

On initial recognition of the CB1, the equity component is assigned the residual amount after deducting from the fair value of the instrument as a whole the amount separately determined for the liability component. Accordingly, on initial recognition, the Group first determines the carrying amount of the liability component by measuring the fair value of a similar liability that does not have an associated equity component. The carrying amount of the equity instrument is then determined by deducting the fair value of the financial liability from the fair value of the CB1 as a whole. The fair value of the liability component was calculated using a discounted cash flow approach. The key unobservable input of the valuation is the discount rate adopted of 14.34%. At subsequent reporting dates, the liability component is carried at amortised cost with an effective interest rate of 14.34%.

# Notes to Consolidated Financial Statements

For the year ended 31 March 2019 (Expressed in Hong Kong dollars)

## 25. CONVERTIBLE BONDS (CONTINUED)

### CB1 (CONTINUED)

Movements of the carrying amount of the liability component of the CB1 are as follow:

	2019 HK\$'000	2018 HK\$'000
At the beginning of the year	—	—
Measured at fair value on initial recognition	36,415	—
Less: equity component (being the conversion option)	(14,320)	—
The liability component	22,095	—
Interest expense (base on effective interest)	2,142	—
At the end of the year	24,237	—

### CB2

The principal amount of CB2 is HK\$104,500,000. The holder of the CB2 will be able to convert the outstanding principal amount in whole or in part (in multiples of HK\$500,000) into ordinary shares of the Company at a conversion price of HK\$0.3 per conversion share (subject to be customary anti-dilutive adjustments) until the maturity date (i.e. 23 July 2019). The Company is not entitled to redeem all or part of the principal amount of CB2 before the maturity date. The CB2 is not interest bearing.

The CB2 is determined to be a compound financial instrument with a conversion option, that will or may be settled by an exchange of a fixed number of ordinary shares of the Company for a fixed amount of cash, being treated as equity. The liability components include host debt component (being the Company's obligation to pay the principal amount of the CB2 on maturity date if the CB2 is not converted or redeemed).

On initial recognition of the CB2, the equity component is assigned the residual amount after deducting from the fair value of the instrument as a whole the amount separately determined for the liability component. Accordingly, on initial recognition, the Group first determines the carrying amount of the liability component by measuring the fair value of a similar liability that does not have an associated equity component. The carrying amount of the equity instrument is then determined by deducting the fair value of the financial liability from the fair value of the CB2 as a whole. The fair value of the liability component was calculated using a discounted cash flow approach. The key unobservable input of the valuation is the discount rate adopted of 13.84%. At subsequent reporting dates, the liability component is carried at amortised cost with an effective interest rate of 13.84%.

# Notes to Consolidated Financial Statements

For the year ended 31 March 2019 (Expressed in Hong Kong dollars)

## 25. CONVERTIBLE BONDS (CONTINUED)

### CB2 (CONTINUED)

Movements of the carrying amount of the liability component of the CB2 are as follows:

	2019 HK\$'000	2018 HK\$'000
At the beginning of the year	—	—
Measured at fair value on initial recognition	116,067	—
Less: equity component (being the conversion option)	(24,267)	—
The liability component without the early redemption option	91,800	—
Interest expense (base on effective interest)	7,124	—
Conversion	(84,514)	—
At the end of the year	14,410	—

## 26. DEFERRED TAX LIABILITIES

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

	2019 HK\$'000	2018 HK\$'000
As at 1 April	3,616	—
Acquisition of subsidiaries	—	3,991
Less: Deferred tax credit resulting from amortisation of intangible asset	(799)	(375)
As at 31 March	2,817	3,616

  

	2019 HK\$'000	2018 HK\$'000
Unrecognised deferred tax assets arising from Deductible temporary differences	48	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.



# Notes to Consolidated Financial Statements

For the year ended 31 March 2019 (Expressed in Hong Kong dollars)

## 27. CAPITAL AND RESERVES

### (a) Share capital

	2019		2018	
	Number of shares '000	Amount HK\$'000	Number of shares '000	Amount HK\$'000
<b>Authorised:</b>				
Ordinary shares of HK\$0.2 each	<u>2,000,000</u>	<u>400,000</u>	<u>2,000,000</u>	<u>400,000</u>
<b>Issued and fully paid:</b>				
At 1 April	815,530	163,106	599,799	119,960
Shares issued under placing	39,000	7,800	62,000	12,400
Shares issued for settlement of debts	79,612	15,922	–	–
Shares issued under conversion of convertible bonds	298,333	59,667	–	–
Exercise of share options	–	–	3,731	746
Shares issued for acquisition of subsidiaries	–	–	150,000	30,000
At 31 March	<u>1,232,475</u>	<u>246,495</u>	<u>815,530</u>	<u>163,106</u>

# Notes to Consolidated Financial Statements

For the year ended 31 March 2019 (Expressed in Hong Kong dollars)

## 27. 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 2019*

The Company completed one placing and top-up subscription activities for the year ended 31 March 2019. On each occasion, Mr. Ng Man Sun, the Chairman and Chief Executive Officer of the Company and the beneficial owner of 57,468,626 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.

<b>Date of placing and subscription agreement</b>	24 July 2018
Number of shares	39,000,000
Issue price per share (HK\$)	0.238
Aggregate issuance value (HK\$)	9.28 million
Date of completion of placing	27 July 2018
Date of completion of subscription	7 August 2018
Net price per share (HK\$)	0.233
Market price per share on the date of the placing and subscription agreement (HK\$)	0.265

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 repayment of the borrowings 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 repayment of the borrowings.

# Notes to Consolidated Financial Statements

For the year ended 31 March 2019 (Expressed in Hong Kong dollars)

## 27. CAPITAL AND RESERVES (CONTINUED)

### (a) Share capital (CONTINUED)

#### (i) Shares issued under placing (CONTINUED)

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.

<b>Date of placing and subscription agreement</b>	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 2019 (Expressed in Hong Kong dollars)

## 27. CAPITAL AND RESERVES (CONTINUED)

### (a) Share capital (CONTINUED)

#### *(ii) 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.

#### *(iii) 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.

#### *(iv) Shares issued for settlement of debts*

On 6 September 2018, pursuant to the subscription agreements dated 28 August 2018, 37,188,000 ordinary shares of HK\$0.2 each were allotted and issued at the price of HK\$0.242 per share to the subscribers to settle the debts amount in an aggregate sum of HK\$9 million due from the Company. HK\$7,438,000 was credited to share capital and the balance of HK\$1,562,000 was credited to the share premium account.

On 4 March 2019, pursuant to the subscription agreements dated 12 February 2019, 42,424,242 ordinary shares of HK\$0.2 each were allotted and issued at the price of HK\$0.1 per share to the subscribers to settle the promissory notes amount in an aggregate sum of HK\$13,.5 million. HK\$8,484,000 was credited to share capital and the balance of HK\$4,242,000 was debited to the share premium account.

#### *(v) Conversion of convertible bonds*

On 4 February 2019, convertible bonds with an aggregate principal amount of HK\$50,500,000 were converted into 168,333,333 ordinary shares of the Company at a conversion price of HK\$0.3 each.

On 19 February 2019, convertible bonds with an aggregate principal amount of HK\$39,000,000 were converted into 130,000,000 ordinary shares of the Company at a conversion price of HK\$0.3 each.

# Notes to Consolidated Financial Statements

For the year ended 31 March 2019 (Expressed in Hong Kong dollars)

## 27. CAPITAL AND RESERVES (CONTINUED)

### (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(t).

#### (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(r).

#### (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 2019 (Expressed in Hong Kong dollars)

## 27. CAPITAL AND RESERVES (CONTINUED)

### (c) Distributable reserves

As at 31 March 2019, the aggregate amount of reserves of the Company available for distribution to owners of the Company is HK\$Nil (2018: 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 2019, the Group's net debt-to-capital ratio was 125%. 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 2019 and 2018 is as follows:

	2019 HK\$'000	2018 HK\$'000
Current liabilities		
Trade and other payables	14,613	204,864
Obligations under a finance lease	33	403
Other borrowings	10,385	10,300
Promissory notes	19,837	—
Convertible bonds	14,410	—
Non-current liabilities		
Obligations under a finance lease	—	33
Promissory notes	26,638	12,816
Convertible bonds	24,237	—
Total debt	110,153	228,416
Less: cash and cash equivalents	(1,201)	(1,759)
Net debt	108,952	226,657
Total equity	87,333	359,165
Adjusted net debt-to-capital ratio	125%	63%

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 2019 (Expressed in Hong Kong dollars)

## 28. 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 2019 (Expressed in Hong Kong dollars)

## 28. 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.

	2019		2018	
	Number of options	Weighted average exercise price HK\$	Number of options	Weighted average exercise price HK\$
At beginning of reporting period	47,632,000	0.570	22,281,000	0.906
Granted during the year	21,550,000	0.200	29,330,000	0.297
Exercised during the year	—	—	(3,731,000)	0.370
Lapsed during the year	(3,000,000)	2.256	(248,000)	1.345
Outstanding at end of reporting period	66,182,000	0.373	47,632,000	0.570
Exercisable at end of reporting period	66,182,000	0.373	47,632,000	0.570

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 2019 (Expressed in Hong Kong dollars)

## 28. 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 2019 (Expressed in Hong Kong dollars)

## 28. SHARE OPTION SCHEME (CONTINUED)

### 2012 Scheme (CONTINUED)

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

For the year ended 31 March 2019

Name of category	Type	Number of share option			Outstanding at 31 March 2019	Date of grant	Exercised period	Exercise price HK\$ (note 2)
		Outstanding at 1 April 2018	Granted	Lapsed				
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
	2017	6,100,000	-	-	6,100,000	1 December 2017	1 December 2017-30 November 2027	0.280
	2018	-	610,000	-	610,000	17 December 2018	17 December 2018-16 December 2028	0.200
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
	2018	-	610,000	-	610,000	17 December 2018	17 December 2018-16 December 2028	0.200
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
	2018	-	610,000	-	610,000	17 December 2018	17 December 2018-16 December 2028	0.200
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
	2018	-	610,000	-	610,000	17 December 2018	17 December 2018-16 December 2028	0.200
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
	2018	-	610,000	-	610,000	17 December 2018	17 December 2018-16 December 2028	0.200
		17,998,000	3,050,000	-	21,048,000			
Eligible employees	2013 (Note 1)	1,553,000	-	-	1,553,000	5 February 2013	5 February 2013-4 February 2023	1.241
	2014	2,359,000	-	-	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	1,607,000	-	-	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
	2018	-	10,500,000	-	10,500,000	17 December 2018	17 December 2018-16 December 2028	0.200
		14,326,000	10,500,000	-	24,826,000			
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
	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
	2018	1,000,000	-	(1,000,000)	-	18 January 2018	18 January 2018-17 January 2019	0.600
	2018	-	8,000,000	-	8,000,000	17 December 2018	17 December 2018-16 December 2028	0.200
		15,308,000	8,000,000	(3,000,000)	20,308,000			
Total		47,632,000	21,550,000	(3,000,000)	66,182,000			
Weighted average exercise price		0.570	0.200	2.256	0.373			

# Notes to Consolidated Financial Statements

For the year ended 31 March 2019 (Expressed in Hong Kong dollars)

## 28. SHARE OPTION SCHEME (CONTINUED)

### 2012 Scheme (CONTINUED)

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

For the year ended of 31 March 2018

Name of category	Type	Number of share option				Outstanding at 31 March 2018	Date of grant	Exercised period	Exercise price HK\$ (note 2)
		Outstanding at 1 April 2017	Granted	Exercised	Lapsed				
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
	2018	-	1,000,000	-	-	1,000,000	18 January 2018	18 January 2018-17 January 2019	0.600
			<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 2019 (Expressed in Hong Kong dollars)

## 28. SHARE OPTION SCHEME (CONTINUED)

### 2012 Scheme (CONTINUED)

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

Notes:

- (1) 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.
- (2) 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 2019 had an exercise price ranging from HK\$0.200 to HK\$1.345 (2018: HK\$0.280 to HK\$1.345) and a weighted average remaining contractual life of 6.5 years (2018: 6.9 years).

#### (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 Binominal 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 Binominal Option Pricing Model.

	17 December 2018	1 December 2017	25 April 2016	10 March 2015	3 March 2014	5 February 2013
Fair value at measurement date	<b>HK\$0.047</b>	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	<b>HK\$0.161</b>	HK\$0.280	HK\$0.430	HK\$0.840	HK\$1.670	HK\$0.077
Exercise price	<b>HK\$0.200</b>	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 Binominal Option Price Model)	<b>65.20%</b>	73.86%	74.14%	73.28%	100.31%	126.44%
Optional life (expressed as weighted average life used in the modeling under the Binominal Option Price Model)	<b>10 years</b>	10 years	10 years	10 years	10 years	10 years
Expected dividends	<b>0%</b>	0%	0%	0%	0%	0%
Risk-free interest rate (based on exchange fund notes)	<b>2.103%</b>	1.847%	1.823%	1.685%	2.135%	1.245%

# Notes to Consolidated Financial Statements

For the year ended 31 March 2019 (Expressed in Hong Kong dollars)

## 28. SHARE OPTION SCHEME (CONTINUED)

### 2012 Scheme (CONTINUED)

#### (b) Fair value of share options and assumptions (CONTINUED)

##### (i) Grant to eligible employees (CONTINUED)

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 17 December 2018, 25 April 2016 and 10 March 2015 is measured base on the Binominal Option Pricing Model as described as above.

The equity-settled share-based payments charged to the profit or loss was HK\$1,013,000 (2018: HK\$3,740,000) for the year ended 31 March 2019.

At the end of the reporting period, the Company has 66,182,000 (2018: 47,632,000) 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 66,182,000 (2018: 47,632,000) additional ordinary shares of the Company and additional share capital of approximately HK\$13,236,400 (2018: HK\$9,526,000).

# Notes to Consolidated Financial Statements

For the year ended 31 March 2019 (Expressed in Hong Kong dollars)

## 29. BUSINESS COMBINATION

### (a) Business combination that took place in the year ended 31 March 2018

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 of promissory notes	12,490
Ordinary shares of the Company issued ( <i>Note 1</i> )	49,500
Contingent consideration receivable ( <i>Note 2</i> )	(378)
Total	61,612

*Notes:*

- 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.
- 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. For the year ended 31 March 2019, the performance guarantee has been met.

# Notes to Consolidated Financial Statements

For the year ended 31 March 2019 (Expressed in Hong Kong dollars)

## 29. 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	(3,991)
	<u>19,851</u>

### (d) Goodwill arising on acquisition

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

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.

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>

# Notes to Consolidated Financial Statements

For the year ended 31 March 2019 (Expressed in Hong Kong dollars)

## 29. BUSINESS COMBINATION (CONTINUED)

### (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 ended 31 March 2018 was HK\$3,553,000 generated by Explicitly Grand Investments Limited since the date of acquisition. The Group's revenue for the year ended 31 March 2018 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.

## 30. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

### Major non-cash transactions

Save as transactions disclosed in notes 16, 22, 24, 25 and 28 to the consolidated financial statements, the Group had no other major non-cash transactions during the years ended 31 March 2019 and 2018.

## 31. COMMITMENTS

### (a) Operating lease commitments

At 31 March 2019, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2019 HK\$'000	2018 HK\$'000
Within one year	11,421	9,437
In the second to fifth year	9,803	14,796
	<b>21,224</b>	24,233

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 2019 (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:

	2019 HK\$'000	2018 HK\$'000
Salaries and other emoluments	4,223	6,414
Equity-settled share-based payments	501	1,435
Retirement scheme contributions	36	36
	<b>4,760</b>	<b>7,885</b>

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:

	2019 HK\$'000	2018 HK\$'000
Fixed monthly income from investments in VIP gaming tables and slot machines related operations from Greek Mythology	2,400	4,800
Consultancy fee income received from a related company (i)	9,000	–
Loan from a director (ii)	10,385	–

Notes:

- (i) The related company is wholly-owned by Mr. Ng Man Sun.
- (ii) As at 31 March 2019, loan from a director, Mr. Ng Man Sun with amount HK\$10,385,000 was included in other borrowings. The amount is interest free, unsecured and repayable on demand.

# Notes to Consolidated Financial Statements

For the year ended 31 March 2019 (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

	<b>Financial assets at amortised cost</b>	<b>Loans and receivables</b>
	<b>2019 HK\$'000</b>	2018 HK\$'000
Derivative financial asset	–	156
Trade receivables	<b>1,491</b>	2,618
Other receivables	<b>36,831</b>	20,655
Rental and other deposits	<b>3,845</b>	2,360
Due from an associate	–	26,100
Cash and cash equivalents	<b>1,201</b>	1,759
	<b>43,368</b>	53,648

### Financial liabilities

	<b>Financial liabilities at amortised cost</b>	
	<b>2019 HK\$'000</b>	2018 HK\$'000
Accruals and other payables	<b>13,829</b>	204,380
Due to related companies	<b>784</b>	484
Obligations under a finance lease	<b>33</b>	436
Other borrowings	<b>10,385</b>	10,300
Promissory notes	<b>46,475</b>	12,816
Convertible bonds	<b>38,647</b>	–
	<b>110,153</b>	228,416

# Notes to Consolidated Financial Statements

For the year ended 31 March 2019 (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.

The Group applied the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected credit loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

Expected loss rates are based on actual loss experience over the past 3 years. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

The directors are of the opinion that the credit risk of trade receivables is low due to the sound collection history of the receivables due from them. Therefore, expected credit loss rate of the trade receivables is assessed to be close to zero and no provision was made as of 31 March 2019.

The credit quality of other receivables excluding prepayments has been assessed with reference to historical information about the counterparties default rates and financial position of the counterparties. The directors are of the opinion that the credit risk of other receivables is low due to the sound collection history of the receivables due from them. Therefore, expected credit loss rate of the other receivables excluding prepayments is assessed to be close to zero and no provision was made as of 31 March 2019.

# Notes to Consolidated Financial Statements

For the year ended 31 March 2019 (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:

	2019				
	Carrying amount HK\$'000	Total contractual undiscounted cash flow HK\$'000	Within 1 year or on demand HK\$'000	More than 1 year but less than 2 years HK\$'000	More than 2 years but less than 5 years HK\$'000
Obligations under a finance lease	33	34	34	—	—
Promissory notes	46,475	50,000	20,000	30,000	—
Trade and other payables	14,613	14,613	14,613	—	—
Convertible bonds	38,647	45,000	15,000	30,000	—
Other borrowings	10,385	10,385	10,385	—	—
	<b>110,153</b>	<b>120,032</b>	<b>60,032</b>	<b>60,000</b>	<b>—</b>

  

	2018				
	Carrying amount HK\$'000	Total contractual undiscounted cash flow HK\$'000	Within 1 year or on demand HK\$'000	More than 1 year but less than 2 years HK\$'000	More than 2 years but less than 5 years 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	—	—
	<b>228,416</b>	<b>231,146</b>	<b>217,112</b>	<b>14,034</b>	<b>—</b>

# Notes to Consolidated Financial Statements

For the year ended 31 March 2019 (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 2019 and 2018, 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 2019 (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 2019, the carrying amount of property, plant and equipment is approximately HK\$3,082,000 (2018: HK\$8,715,000).

#### *(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 2019, the carrying amount of intangible assets is approximately HK\$106,826,000 (2018: HK\$127,241,000).

#### *(iv) Amortisation of intangible assets*

Intangible assets are amortised on a straight-line 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 2019 (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 Group's receivables are assessed for impairment based on the expected loss model required by HKFRS 9. The assessment made by management has taken into account relevant historical information adjusted for forward looking information available to management at the date of assessment (to the extent that such information is reasonable and supportable without undue cost or effort). Additional impairment losses have been recognised as at 1 April 2018 on the Group's receivables to reflect the adoption of the expected loss model (see note 20). Impairment losses are also recognised for the current year (please see note 20). Management has exercised judgment in estimating the amount of expected credit loss. If the actual outcome is different from management's estimate, an additional impairment loss or reversal of impairment loss may arise.

#### (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 2019 (Expressed in Hong Kong dollars)

## 36. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Particulars of subsidiaries as at 31 March 2019 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 2019 and 2018 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	
		2019	2018	2019	2018	2019	2018
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Forenzia Group	BVI/Investment holding	40%	40%	(236)	2,038	52,973	53,209

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 2019 (Expressed in Hong Kong dollars)

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

	2019 HK\$'000	2018 HK\$'000
<b>Summarised consolidated statement of financial position of Forenzia Enterprises Limited</b>		
Non-current assets	161,663	166,765
Current assets	23,718	19,625
Total assets	185,381	186,390
Current liabilities	(144,825)	(145,243)
<b>Equity attributable to owners of the Company</b>	<b>(12,417)</b>	<b>(12,062)</b>
<b>Non-controlling interest</b>	<b>52,973</b>	<b>53,209</b>
<b>Summarised consolidated statement of profit or loss of Forenzia Enterprises Limited</b>		
(Loss)/Profit before income taxation	(591)	5,095
Income tax expenses	-	-
(Loss)/Profit for the year	(591)	5,095
Other comprehensive income	-	-
Total comprehensive (expenses)/income	(591)	5,095
Total comprehensive (expenses)/income allocated to non-controlling interests	(236)	2,038
<b>Summarised consolidated statement of cash flow of Forenzia Enterprises Limited</b>		
Net cash generated from operating activities	449	9,895
Net cash used in investing activities	(449)	(9,895)
Net increase in cash	-	-

# Notes to Consolidated Financial Statements

For the year ended 31 March 2019 (Expressed in Hong Kong dollars)

## 37. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2019 HK\$'000	2018 HK\$'000
<b>Non-current assets</b>		
Property, plant and equipment	506	917
Investments in subsidiaries	49,506	49,506
Interest in an associate	—	353,568
	<u>50,012</u>	<u>403,991</u>
<b>Current assets</b>		
Trade and other receivables	94,065	94,807
Cash and cash equivalents	993	1,029
	<u>95,058</u>	<u>95,836</u>
<b>Current liabilities</b>		
Trade and other payables	27,361	205,783
Obligations under a finance lease	33	403
Other borrowings	10,385	10,300
Promissory notes	19,837	—
Convertible bonds	14,410	—
	<u>72,026</u>	<u>216,486</u>
<b>Net current assets/(liabilities)</b>	<u>23,032</u>	<u>(120,650)</u>
<b>Total assets less current liabilities</b>	<u>73,044</u>	<u>283,341</u>
<b>Non-current liabilities</b>		
Obligations under a finance lease	—	33
Promissory notes	26,638	12,816
Convertible bonds	24,237	—
	<u>50,875</u>	<u>12,849</u>
<b>NET ASSETS</b>	<u>22,169</u>	<u>270,492</u>
<b>Capital and reserves</b>		
Share capital	246,495	163,106
Reserves	(224,326)	107,386
<b>TOTAL EQUITY</b>	<u>22,169</u>	<u>270,492</u>

The Company's statement of financial position was approved and authorised for issue by the board of directors on 24 June 2019 and are signed on its behalf by:

**Ng Man Sun**  
Chairman

**Ng Wai Yee**  
Director

# Notes to Consolidated Financial Statements

For the year ended 31 March 2019 (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:

	<b>Share Premium</b>	<b>Contributed surplus</b>	<b>Capital reserve</b>	<b>Convertible bonds reserve</b>	<b>Accumulated losses</b>	<b>Total</b>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
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 intangible assets						
through acquisition of subsidiaries	19,500	–	–	–	–	19,500
Shares issued under open offer	1,283	–	(649)	–	–	634
Issued of consideration shares	10,017	–	–	–	–	10,017
Shares issued under placing	–	–	(296)	–	296	–
At 31 March 2018 and 1 April 2018	519,159	2,285,052	22,624	–	(2,719,449)	107,386
Loss for the year and total comprehensive						
expense						
for the year	–	–	–	–	(394,766)	(394,766)
Equity-settled share based transactions	–	–	1,013	–	–	1,013
Shares issued for settlement of debts	(2,679)	–	–	–	–	(2,679)
Issuance of convertible bonds	–	–	–	38,587	–	38,587
Shares issued under placing	1,286	–	–	–	–	1,286
Share issued under conversion of convertible						
bonds	45,631	–	–	(20,784)	–	24,847
As 31 March 2019	563,397	2,285,052	23,637	17,803	(3,114,215)	(224,326)

## 38. EVENTS AFTER THE REPORTING PERIOD

On 5 June 2019, Digital Zone Global Limited, a wholly-owned subsidiary of the Company and Galaxy World 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 been completed as it is subject to shareholders' approval in a general meeting.

## 39. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 24 June 2019.

# Five-Year Financial Summary

## RESULTS

	<b>2019</b> <b>HK\$'000</b>	<b>Year ended 31 March</b>			
		2018 HK\$'000	2017 HK\$'000	2016 HK\$'000	2015 HK\$'000
REVENUE	<b>71,218</b>	62,206	11,401	10,486	5,118
SHARE OF PROFIT OF ASSOCIATES	<b>—</b>	—	—	—	—
(LOSS)/PROFIT FOR THE YEAR	<b>(418,275)</b>	(50,734)	(988,520)	(48,967)	(41,367)
ATTRIBUTABLE TO					
– Owners of the Company	<b>(418,039)</b>	(52,772)	(983,869)	(43,136)	(40,240)
– Non-controlling interests	<b>(236)</b>	2,038	(4,651)	(5,831)	(1,127)
(LOSS)/EARNINGS PER SHARE (in HK Cents)				(Restated)	
– Basic	<b>46.16</b>	(7.48)	(195.78)	(11.65)	(16.11)
– Diluted	<b>46.16</b>	(7.48)	(195.78)	(11.65)	(16.11)

## ASSETS AND LIABILITIES

	<b>2019</b> <b>HK\$'000</b>	<b>At 31 March</b>			
		2018 HK\$'000	2017 HK\$'000	2016 HK\$'000	2015 HK\$'000
NON-CURRENT ASSETS	<b>157,411</b>	537,183	511,107	1,372,127	1,361,512
CURRENT ASSETS	<b>43,866</b>	54,607	28,292	98,779	88,917
TOTAL ASSETS	<b>201,277</b>	591,790	539,399	1,470,906	1,450,429
NON-CURRENT LIABILITIES	<b>53,692</b>	16,465	449	829	38,619
CURRENT LIABILITIES	<b>60,252</b>	216,160	206,088	262,145	187,725
TOTAL LIABILITIES	<b>113,944</b>	232,625	206,537	262,974	226,344
NET ASSETS	<b>87,333</b>	359,165	332,862	1,207,932	1,224,085
EQUITY HOLDERS' FUND	<b>34,360</b>	305,956	281,691	1,151,027	1,162,191
NON-CONTROLLING INTERESTS	<b>52,973</b>	53,209	51,171	56,905	61,894
TOTAL EQUITY	<b>87,333</b>	359,165	332,862	1,207,932	1,224,085