BAKER TILLY
(BVI) LIMITED

# ASIA WEALTH GROUP HOLDINGS LIMITED

Consolidated Financial Statements
For the year ended 28 February 2018

## ASIA WEALTH GROUP HOLDINGS LIMITED

**Consolidated Financial Statements**
**For the year ended 28 February 2018**

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## ASIA WEALTH GROUP HOLDINGS LIMITED

**Parent Company Directory**
**At 28 February 2018**

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**BOARD OF DIRECTORS**

Richard Cayne
Peter Upperton

**REGISTERED AGENT AND OFFICE**

Harneys Corporate Services Limited
Craigmuir Chambers
P.O. Box 71
Road Town, Tortola VG 1110
British Virgin Islands

**CORPORATE ADVISOR**

Peterhouse Corporate Finance Limited
New Liverpool House
15 Eldon Street
London EC2M 7LD
United Kingdom

**LEGAL COUNSEL**

EdwinCoe LLP
2 Stone Buildings
Lincoln's Inn
London WC2A 3TH
United Kingdom

**BANKER**

HSBC Bank Plc
Pall Mall
London SW1Y 5EZ
United Kingdom

**REGISTRAR**

Computershare Investor Services (BVI) Limited
Craigmuir Chambers
P.O. Box 71
Road Town, Tortola VG 1110
British Virgin Islands

**DEPOSITARY**

Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol BS13 8AE
United Kingdom

**EXCHANGE LISTING DETAILS**

NEX Exchange
ISIN: VGG0540E1097
TIDM: AWLP
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## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF

## ASIA WEALTH GROUP HOLDINGS LIMITED

**Qualified opinion**

We have audited the consolidated financial statements of Asia Wealth Group Holdings Limited (the "Parent Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 28 February 2018, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 5 to 29.

This report is made solely to the Parent Company's shareholders, as a body. Our audit work has been undertaken so that we might state to the Parent Company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's shareholders, as a body, for our audit work, for this report, or for the opinion we have formed.

In our opinion, except for the possible effects of the matter discussed in the basis for qualified opinion section of our report, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Group as at 28 February 2018, and its consolidated financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards ("IFRSs").

**Basis for qualified opinion**

The Group has an available-for-sale investment carried at cost as disclosed in note 5. However, we were unable to obtain supporting evidence regarding the ownership of this investment. Further, the Group has not assessed the investment at year end for impairment in accordance with accounting policy 2(p) and we were unable to satisfy ourselves as to whether this value represents its cost, less impairment losses, if any.

**Key audit matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Except for the matter discussed in the basis for qualified opinion paragraph, there are no other key audit matters to communicate in our report.

**Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines 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, management is 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 management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our qualified audit opinion.

BAKER TILLY
(BVI) LIMITED

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

Baker Tilly (BVI) Limited

**Chartered Accountants**
**Tortola, British Virgin Islands**
**31 July 2018**

## ASIA WEALTH GROUP HOLDINGS LIMITED

### Consolidated Statement of Financial Position
### At 28 February 2018
*Expressed in U.S. Dollars*

| | Note | 2018 | 2017 |
|---|---|---|---|
| **Non-current assets** | | | |
| Fixed assets | 3 | 25,130 | 31,697 |
| Investment property | 4 | 400,343 | 380,246 |
| Available-for-sale investment | 5 | 318,162 | 318,162 |
| | | 743,635 | 730,105 |
| **Current assets** | | | |
| Cash and cash equivalents | | 1,346,655 | 869,147 |
| Trade receivables | | 228,577 | 215,041 |
| Loans and other receivables | | 92,168 | 133,046 |
| Due from related party | 6 | — | 97 |
| Prepaid tax | | 687 | — |
| Prepayments and other assets | | 104,964 | 96,352 |
| | | 1,773,051 | 1,313,683 |
| **Total assets** | | $ 2,516,686 | $ 2,043,788 |
| **Equity** | | | |
| Share capital | 8 | 913,496 | 913,496 |
| Share-based payment reserve | 9 | — | 10,708 |
| Consolidation reserve | | 405,997 | 405,997 |
| Translation reserve | | 28,725 | (9,317) |
| Accumulated deficit | | (135,730) | (372,081) |
| **Total equity attributable to equity holders of the Parent Company** | | 1,212,488 | 948,803 |
| Equity attributable to non-controlling interests | 10 | — | (17,552) |
| **Total equity** | | 1,212,488 | 931,251 |
| **Non-current liabilities** | | | |
| Liabilities under finance lease agreements | 11 | 10,900 | 18,245 |
| **Current liabilities** | | | |
| Trade payables | | 1,194,592 | 927,954 |
| Due to related parties | 6 | 4,797 | 59,966 |
| Liabilities under finance lease agreements | 11 | 7,785 | 7,017 |
| Deferred revenue | | — | 1,958 |
| Tax payable | | 2,586 | — |
| Other payables and accrued expenses | | 83,538 | 97,397 |
| | | 1,293,298 | 1,094,292 |
| **Total liabilities** | | 1,304,198 | 1,112,537 |
| **Total equity and liabilities** | | $ 2,516,686 | $ 2,043,788 |

## ASIA WEALTH GROUP HOLDINGS LIMITED

**Consolidated Statement of Comprehensive Income**
**For the year ended 28 February 2018**
*Expressed in U.S. Dollars*

| | Note(s) | 2018 | 2017 |
|---|---|---|---|
| **Revenue** | | | |
| Commission income | | 2,160,615 | 1,517,797 |
| Rental income | 4 | 29,983 | 9,058 |
| | | 2,190,598 | 1,526,855 |
| **Expenses** | | | |
| Commission expense | | 1,327,368 | 880,977 |
| Professional fees | 6 | 323,883 | 283,976 |
| Directors' fees | 6 | 202,700 | 218,902 |
| Impairment expense | | 106,613 | 76,188 |
| Travel and entertainment | | 54,539 | 50,058 |
| Office expense | | 43,763 | 40,395 |
| Wages and salaries | | 43,253 | 51,037 |
| Depreciation | 3,4 | 35,057 | 20,017 |
| Rent | | 16,417 | 14,115 |
| Marketing | | 11,422 | 15,805 |
| Other expenses | | 39,911 | 31,529 |
| | | 2,204,926 | 1,682,999 |
| **Net loss from operations** | | (14,328) | (156,144) |
| **Other income/(expenses)** | | | |
| Gain on disposal of fixed assets | | — | 5,684 |
| Share of loss of associate company | 7 | — | (29,382) |
| Gain on disposal of associate company | | 7,522 | — |
| Impairment of goodwill | 10 | — | (11,815) |
| Foreign currency exchange (loss)/gain | | 113,537 | (19,387) |
| Other income | | 44,360 | 101,986 |
| | | 165,419 | 47,086 |
| **Net income/(loss) before finance costs** | | 151,091 | (109,058) |
| **Finance costs** | | | |
| Interest expense | | 973 | 1,337 |
| **Net income/(loss) before taxation** | | 150,118 | (110,395) |
| Taxation | 12 | 3,273 | — |
| **Total comprehensive income/(loss)** | | $ 146,845 | $ (110,395) |
| **Total comprehensive income/(loss) attributable to:** | | | |
| Equity holders of the Parent Company | | — | (94,104) |
| Non-controlling interest | | — | (16,291) |
| | | — | (110,395) |
| **Earnings/(loss) per share attributable to the equity holders of the Parent Company:** | | | |
| Basic earnings/(loss) per share | 13 | $ 0.01284 | $ (0.00823) |
| Diluted earnings/(loss) per share | 13 | $ 0.01284 | $ (0.00812) |

**ASIA WEALTH GROUP HOLDINGS LIMITED**

**Consolidated Statement of Changes in Equity**
**For the year ended 28 February 2018**
*Expressed in U.S. Dollars*

**2018**

| | Attributable to Equity Holders of the Parent Company | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Share Capital | | Share-based Payment Reserve | Consolidation Reserve | Translation Reserve | Accumulated Deficit | Non-controlling interest | Equity |
| | Number | US$ | | | | | | |
| **Balances at beginning of year** | 11,433,433 | 913,496 | 10,708 | 405,997 | (9,317) | (372,081) | (17,552) | 931,251 |
| Share-based payment expired | — | — | (10,708) | — | — | 10,708 | — | — |
| Disposal of subsidiary | — | — | — | — | — | 78,798 | 17,552 | 96,350 |
| Translation differences | — | — | — | — | 38,042 | — | — | 38,042 |
| Total comprehensive income | — | — | — | — | — | 146,845 | — | 146,845 |
| **Balances at end of year** | 11,433,433 | $ 913,496 | $ — | $ 405,997 | $ 28,725 | $ (135,730) | $ — | $ 1,212,488 |

**2017**

| | Attributable to Equity Holders of the Parent Company | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Share Capital | | Share-based Payment Reserve | Consolidation Reserve | Translation Reserve | Accumulated Deficit | Non-controlling interest | Equity |
| | Number | US$ | | | | | | |
| **Balances at beginning of year** | 11,433,433 | 913,496 | 35,423 | 405,997 | (15,919) | (302,692) | (1,201) | 1,035,104 |
| Share-based payment expired | — | — | (24,715) | — | — | 24,715 | — | — |
| Translation differences | — | — | — | — | 6,602 | — | (60) | 6,542 |
| Total comprehensive loss | — | — | — | — | — | (94,104) | (16,291) | (110,395) |
| **Balances at end of year** | 11,433,433 | $ 913,496 | $ 10,708 | $ 405,997 | $ (9,317) | $ (372,081) | $ (17,552) | $ 931,251 |

## ASIA WEALTH GROUP HOLDINGS LIMITED

**Consolidated Statement of Cash Flows**
**For the year ended 28 February 2018**
*Expressed in U.S. Dollars*

| | 2018 | 2017 |
|---|---|---|
| **Operating activities** | | |
| Total comprehensive income/(loss) | 146,845 | (110,395) |
| Adjustments for: | | |
| Impairment expense | 106,613 | 76,188 |
| Depreciation | 35,057 | 20,017 |
| Gain on disposal of fixed assets | (7,522) | (5,510) |
| Share of loss of associate company | — | 29,382 |
| Impairment of goodwill | — | 11,815 |
| Foreign currency exchange (gain)/loss | (28,354) | 23,002 |
| Operating income before changes in operating assets and liabilities | 252,639 | 44,499 |
| Changes in operating assets and liabilities: | | |
| Increase in trade receivables | (68,214) | (22,401) |
| Decrease/(increase) in loans and other receivables | 40,878 | (87,203) |
| Increase in prepaid tax | (687) | — |
| (Increase)/decrease in prepayments and other assets | (8,612) | 14,607 |
| Increase/(decrease) in trade payables | 266,638 | (5,744) |
| Decrease in liabilities under finance lease agreements | (6,577) | (8,638) |
| (Decrease)/increase in deferred revenue | (1,958) | 47 |
| Increase in tax payable | 2,586 | — |
| (Decrease)/increase in other payables and accrued expenses | (13,859) | 34,125 |
| *Cash flows from/(used in) operating activities* | 462,834 | (30,708) |
| **Investing activities** | | |
| Disposal of associate | 7,522 | — |
| Acquisition of associate | — | (29,382) |
| Acquisition of investment property | — | (387,939) |
| Acquisition of fixed assets | (6,398) | (2,755) |
| Disposal of fixed assets | — | 5,510 |
| *Cash flows from/(used in) investing activities* | 1,124 | (414,566) |
| **Financing activities** | | |
| Net advances from related party | (55,072) | 48,958 |
| *Cash flows (used in)/from financing activities* | (55,072) | 48,958 |
| **Net increase/(decrease) in cash and cash equivalents** | 408,886 | (396,316) |
| Effects of exchange rate fluctuations on cash and cash equivalents | 68,622 | (16,460) |
| **Cash and cash equivalents at beginning of year** | 869,147 | 1,281,923 |
| **Cash and cash equivalents at end of year** | $ 1,346,655 | $ 869,147 |

Cash and cash equivalents comprise cash at banks.

*Expressed in U.S. Dollars*

## 1) GENERAL INFORMATION

Asia Wealth Group Holdings Limited (the "Parent Company") was incorporated in the British Virgin Islands on 7 October 2010 under the BVI Business Companies Act, 2004. The liability of the shareholders is limited by shares. The Parent Company maintains its registered office in the British Virgin Islands. The financial statements were authorised for issue by the Board of Directors on 31 July 2018.

The principal activity of the Parent Company and its subsidiaries (the "Group") is to provide wealth management advisory services to Asian-based high net worth individuals and corporations.

The Parent Company's shares were listed on the PLUS Stock Exchange based in London, United Kingdom. During the prior year, ICAP Plc, an interdealer broker based in London, United Kingdom, bought PLUS Stock Exchange and rebranded and relaunched it as ICAP Securities & Derivatives Exchange ("ISDX"). On 30 December 2016, ISDX was renamed NEX Exchange. The Parent Company's shares were automatically admitted to NEX Exchange.

The Parent Company has the following subsidiaries as at 28 February 2018 and 2017:

| | Incorporation Date | Country of Incorporation | Functional Currency | Ownership Interest | |
|---|---|---|---|---|---|
| | | | | 2018 | 2017 |
| Meyer Asset Management Ltd. ("Meyer BVI") | 2000 | British Virgin Islands | US Dollars | 100.00% | 100.00% |
| Meyer International Limited ("Meyer Thailand") | 2010 | Thailand | Thailand Bhat | 49.00% | 49.00% |
| Prime RE Limited ("Prime RE") | 2016 | Thailand | Thailand Bhat | 49.00% | 49.00% |
| BTS Property Holdings Limited ("BTS Property") | 2014 | Thailand | Thailand Bhat | --% | 68.99% |

On 13 June 2012, Meyer BVI was licensed to provide investment business services under Section 3 of the Securities and Investment Business Act, 2010 of the British Virgin Islands.

On 23 September 2016, Meyer Thailand acquired 51.00% of Prime RE.

On 20 October 2016, 51.00% of Meyer Thailand, owned beneficially via a trust agreement in favour of Meyer BVI, was acquired by Prime RE.

The Parent Company is the indirect owner of 51.00% of the outstanding shares of Prime RE and Meyer Thailand, and accordingly the Parent Company intends to account for them as wholly owned subsidiaries.

Effective 1 March 2017, the Parent Company, through Meyer Thailand, transferred its ownership of BTS Property but retained title as a nominee shareholder on behalf of the ultimate beneficial owner, and accordingly the Parent Company has not accounted for it as a subsidiary.

## 2) SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the Group's consolidated financial statements are set out below.

### a) Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRSs") and interpretations issued by the IFRS Interpretations Committee ("IFRS IC") applicable to companies reporting under IFRSs. The financial statements comply with IFRSs as issued by the International Accounting Standards Board ("IASB").

### b) Basis of preparation

The consolidated financial statements have been prepared on the basis of historical costs and do not take into account increases in the market value of assets.

The Group's financial records and statements are maintained and presented in U.S. Dollars, rounded to the nearest dollar.

The accounting policies have been applied consistently by the Group and are consistent with those used in the previous year.

There are no new, revised or amended IFRSs or IFRS IC interpretations that are effective for the first time for the financial period beginning on 1 March 2017 that would be expected to have a material impact on the Group's consolidated financial statements.

### c) Use of estimates

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

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

*Critical accounting estimates and judgments*

**Going concern**

The Group's management has made an assessment on the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue their business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared under the going concern basis.

## 2) SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### d) Investment in subsidiaries

*Basis of consolidation*

The consolidated financial statements include the financial statements of the Parent Company and its subsidiaries for the year ended 28 February 2018. Details of the Group are set out in note 1.

Subsidiaries are enterprises controlled by the Parent Company. Control is achieved when the Parent Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Parent Company. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included or excluded in the consolidated financial statements from the date the Parent Company gains control or until the date the Parent Company ceases to control the subsidiary.

Non-controlling interests pertain to the equity in a subsidiary not attributable, directly or indirectly to the Parent Company. Any equity instruments issued by a subsidiary that are not owned by the Parent Company are non-controlling interests including preferred shares and options under share-based transactions.

Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries not wholly-owned and are presented separately in the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position, separately from the Parent Company's equity.

Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity as an "equity reserve" and attributed to the owners of the Group.

Where necessary, adjustments are made to the financial statements of the subsidiary to bring the accounting policies used in line with those used by the Parent Company.

All intra-group transactions, balances, income and expenses are eliminated in consolidation. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

*Acquisitions*

The acquisition method of accounting is used to account for business combinations by the Group.

The consideration transferred for the acquisition of a subsidiary or business comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary.

2) **SIGNIFICANT ACCOUNTING POLICIES** (Cont'd)

d) **Investment in subsidiaries** (Cont'd)

*Acquisitions* (Cont'd)

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of (i) the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the (ii) fair value of the net identifiable assets acquired is recorded as goodwill.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

e) **Fixed assets**

Items of fixed assets are stated at cost less accumulated depreciation. Depreciation is charged to the consolidated statement of comprehensive income on a straight-line basis over the estimated useful lives of fixed assets.

Subsequent expenditure incurred to replace a component of a fixed asset is capitalised only when it increases the future economic benefits embodied in the item of a fixed asset. All other expenditure is recognised in the consolidated statement of comprehensive income when it is incurred.

The annual rates of depreciation in use are as follows:

| | |
|---|---|
| Leasehold improvements | 20% |
| Office equipment | 20-33% |
| Vehicles | 20% |

2) **SIGNIFICANT ACCOUNTING POLICIES** (Cont'd)

f) **Investment property**

Investment property is property held either to earn rental income or capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is initially measured at cost and subsequently at cost less any accumulated depreciation and impairment losses (refer to accounting policy (p)), if any, with any change therein recognised in the consolidated statement of comprehensive income.

Investment property comprises condominium units.

Cost includes expenditure that is directly attributable to the acquisition of investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in the consolidated statement of comprehensive income. When an investment property that was previously classified as property, plant and equipment is sold, any related amount included in the revaluation reserve is transferred to retained earnings.

When the use of property changes such that it is reclassified as fixed assets, its fair value at the date of reclassification becomes its cost for subsequent accounting.

Depreciable investment property is stated at cost less accumulated depreciation. Depreciation is charged to the consolidated statement of comprehensive income on a straight-line basis over the estimated useful lives of the investment property.

The annual rate of depreciation in use for condominium units is 5%.

Subsequent expenditure incurred is capitalised only when it increases the future economic benefits embodied in that property. All other expenditure is recognised in the consolidated statement of comprehensive income when it is incurred.

g) **Cash and cash equivalents**

For the purpose of presentation in the statement of cash flows, cash includes current deposits with banks and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and bank overdrafts.

h) **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Financial assets that are classified as loans and receivables comprise trade receivables, loans and other receivables and due from related party.

2) **SIGNIFICANT ACCOUNTING POLICIES** (Cont'd)

h) **Loans and receivables** (Cont'd)

Originated loans and receivables are recognised on the day that they are transferred to the Group.

Financial assets classified as loans and receivables are carried at amortised cost using the effective interest method, less impairment losses, if any.

Financial assets are derecognised when the rights to receive cash flows have expired or the Group has transferred substantially all risks and rewards of ownership.

Trade receivables are recognised initially at fair value and are subsequently recorded at fair value reduced by any appropriate allowances for estimated irrecoverable amounts. A provision for impairment of trade receivables is established when there is evidence that the Group will not be able to collect amounts due.

The Group primarily uses the specific identification method to determine if a receivable is impaired. The carrying amount of the receivable is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated statement of comprehensive income.

The Group determines its allowance by considering a number of factors, including the length of time a trade receivable is past due, the Group's previous loss history, the customer's current ability to pay its obligation to the Group, and the condition of the general economy and the industry as a whole. The Group writes off trade receivables when they become uncollectible. Actual bad debts, when determined, reduce the allowance, the adequacy of which management then reassesses. The Group writes off accounts after a determination by management that the amounts at issue are no longer likely to be collected, following the exercise of reasonable collection efforts and upon management's determination that the costs of pursuing the collection outweigh the likelihood of recovery.

i) **Available-for-sale ("AFS") investments**

AFS investments are carried at fair value. Gains and losses arising from changes in the fair value are recognised as other comprehensive income. When securities classified as AFS are sold or impaired, the accumulated fair value adjustments recognised in other comprehensive income are included in the consolidated statement of comprehensive income as gains and losses from investment securities.

AFS are presented as non-current assets unless they mature, or the Group intends to dispose of them within twelve (12) months from the end of the reporting period.

j) **Associates**

Associates are those enterprises in which the Group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Group's share of the total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds the carrying amount of the associate, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred obligations in respect of the associate.

## 2) SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### k) Share capital and accumulated deficit

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity.

Accumulated deficit represent the cumulative balance of periodic net income/loss, dividend distributions and prior period adjustments.

### l) Share-based payment

The Group entered into a series of equity-settled, share-based payment transactions, under which the Group received services from a third party as consideration for equity instruments (shares, options or warrants) of the Group.

For non-vesting share-based payments, the fair value of the service received in exchange for the shares is recognised as an expense immediately with a corresponding credit to share capital.

For share-based payments with vesting periods, the service received is recognised as an expense by reference to the fair value of the share options granted or warrants issued. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied with a corresponding credit to the share capital reserve.

### m) Foreign currency

*Functional and presentation currency*

The subsidiaries' functional currencies are disclosed in note 1 to the financial statements. The consolidated financial statements are presented in U.S. Dollars, rounded off to the nearest dollar.

*Transactions and balances*

Transactions in foreign currencies are converted at the foreign currency exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign currency closing exchange rate ruling at the reporting date. Foreign currency exchange differences arising on conversion or translation and realised gains and losses on disposals or settlements of monetary assets and liabilities are recognised in the consolidated statements of income and comprehensive income. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated at the foreign currency exchange rates ruling at the dates that the values were determined. Foreign currency exchange differences relating to investments are included in net realised/unrealised gain/(loss) on investments. All other foreign currency exchange differences relating to monetary items, including cash and cash equivalents, are presented in the consolidated statements of income and comprehensive income.

2) **SIGNIFICANT ACCOUNTING POLICIES** (Cont'd)

m) **Foreign currency** (Cont'd)

*Foreign operations*

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into U.S. Dollars at the exchange rates ruling at the reporting date. The income and expenses of foreign operations are translated into U.S. Dollars at the average rate. The net differences arising from translation and remeasurement of foreign operations are recognised as other comprehensive income and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit and loss when the foreign operation is disposed of.

None of the foreign operations has the currency of a hyperinflationary economy.

*Translation reserve*

Assets and liabilities of the Group's non-U.S. Dollar functional currency subsidiaries are translated into U.S. Dollars at the closing exchange rates at the reporting date. Revenues and expenses are translated at the average exchange rates for the year. All cumulative differences from the translation of the equity of foreign subsidiaries resulting from changes in exchange rates are included in a separate caption within equity without affecting income.

n) **Leases**

Leases of equipment where the Group assumes substantially all the benefits and risks of ownership are classified as finance leases. Finance leases are capitalised at the estimated present value of the underlying lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are recorded as long-term liabilities. The finance charge is taken to the consolidated statement of comprehensive income over the lease period. Assets acquired under finance lease agreements are depreciated over their useful lives.

Leases of assets under which all the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the consolidated statement of comprehensive income on a straight line basis over the term of the lease. When an operating lease is terminated before the lease term has expired, any penalty is recognised as an expense in the period in which the termination takes place.

o) **Financial liabilities**

Financial liabilities are non-derivative contractual obligations to deliver cash or another financial asset to another entity and comprise trade payables, due to related parties, liabilities under finance lease agreements and other payables and accrued expenses.

These financial liabilities are recognised initially at fair value less any directly attributable transaction costs and subsequently carried at amortised cost using the effective interest method.

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

2) **SIGNIFICANT ACCOUNTING POLICIES** (Cont'd)

p) **Impairment**

The carrying amounts of the Group's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount is estimated as the greater of an asset's net selling price or value in use. An impairment loss is recognised in the consolidated statement of comprehensive income whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

If in a subsequent period, the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the write-down, the write-down is reversed through the consolidated statement of comprehensive income.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

q) **Revenue and expense recognition**

In relation to the rendering of professional services, the Group recognises fee income as time is expended and costs are incurred, provided the amount of consideration to be received is reasonably determinable and there is reasonable expectation of its ultimate collection.

Rental income arising from operating leases on investment property is recognised in the consolidated statement of comprehensive income on a straight line basis over the term of the lease.

Interest income is recognised in the consolidated statement of comprehensive income as it accrues.

All expenses are recognised in the consolidated statement of comprehensive income on the accrual basis.

r) **Offsetting**

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position whenever the Group has a legally enforceable right to set off the recognised amounts and the transactions are intended to be settled on a net basis.

s) **Segment reporting**

The Group's operating businesses are organised and managed separately according to geographical area, with each segment representing a strategic business unit that serves a different market. Financial information on business segments is presented in note 14 of the consolidated financial statements.

t) **Taxation**

Taxation on net profit before taxation for the year comprises both current and deferred tax.

Current tax is the expected income tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date and any adjustment to tax payable in respect of previous years in the countries where the Parent Company and its subsidiaries operate and generate taxable income.

*Expressed in U.S. Dollars*

## 2) SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### t) Taxation (Cont'd)

The Group accounts for income taxes in accordance with IAS 12, "Income Taxes," which requires that a deferred tax liability be recognised for all taxable temporary differences and a deferred tax asset be recognised for an enterprise's deductible temporary differences, operating losses, and tax credit carryforwards. A deferred tax asset or liability is measured using the marginal tax rate that is expected to apply to the last dollars of taxable income in future years. The effects of enacted changes in tax laws or rates are recognised in the period that includes the enactment date.

### u) Related parties

Related parties are individuals and companies where the individual or company has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions.

### v) Amended and newly issued accounting standards

A number of new standards, amendments to existing standards and interpretations are effective for annual periods beginning after 1 March 2017 and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Group; however, IFRS 16, "Leases", effective for annual periods beginning on or after 1 January 2019, and IFRS 9, "Financial Instruments: Classification and Measurement" effective for annual periods beginning on or after 1 January 2018, may result in additional disclosures for the Group upon implementation.

## 3) FIXED ASSETS

| | Leasehold improvements | Office equipment | Vehicles | Total |
|---|---|---|---|---|
| **Cost:** | | | | |
| At 28 February 2017 | 20,281 | 30,704 | 55,392 | 106,377 |
| Additions | — | 6,398 | — | 6,398 |
| Disposals | — | (270) | — | (270) |
| At 28 February 2018 | 20,281 | 36,832 | 55,392 | 112,505 |
| **Depreciation:** | | | | |
| At 28 February 2017 | 20,281 | 26,706 | 27,693 | 74,680 |
| Charge for the year | — | 4,911 | 7,784 | 12,695 |
| At 28 February 2018 | 20,281 | 31,617 | 35,477 | 87,375 |
| **Net book value:** | | | | |
| At 28 February 2018 | $ — | $ 5,215 | $ 19,915 | $ 25,130 |
| At 28 February 2017 | $ — | $ 3,998 | $ 27,699 | $ 31,697 |

As at 28 February 2018, the Group had fixed assets with a net book value of $19,915 (2017: $26,805) under a finance lease agreement (refer to note 11).

*Expressed in U.S. Dollars*

4) **INVESTMENT PROPERTY**

| | | Condominium units |
|---|---|---|
| **Cost:** | | |
| At 28 February 2017 | | 387,939 |
| Translation reserve | | 42,459 |
| At 28 February 2018 | | 430,398 |
| **Depreciation:** | | |
| At 28 February 2017 | | 7,693 |
| Charge for the year | | 22,362 |
| At 28 February 2018 | | 30,055 |
| **Net book value:** | | |
| At 28 February 2018 | $ | 400,343 |
| At 28 February 2017 | $ | 380,246 |

Investment property comprises condominium units at The Prime 11 Condominium in Bangkok, Thailand. Management's estimate of the market value of the investment property at year end was $400,343 (2017: $380,246).

Rental income arising from the investment properties during the year amounted to $29,983 (2017: $9,058).

5) **AVAILABLE-FOR-SALE INVESTMENT**

On 12 June 2012, the Parent Company acquired a 15% equity interest in Ray Alliance Financial Advisers Pte Ltd ("Ray Alliance") for a consideration of 322,000 shares issued at £0.70 per share. The Parent Company also issued 16,100 shares at £0.60 per share in consideration for the advisory services provided during the transaction. The total cost of the investment amounted to $318,162.

In June 2016, it came to the attention of the Group that the 45,000 ordinary shares in Ray Alliance owned by the Parent Company had been transferred without any authorisation by the Parent Company to the two other shareholders of Ray Alliance. At this stage it is not known how the transfer could have been done without the authorisation or consent of the Parent Company. Under the circumstances, the Parent Company considers this unauthorised transfer to be wrongful and entirely without legal basis.

The Parent Company has recently engaged a Singapore law firm and is currently taking legal advice on the matter. The Parent Company is considering various options including taking legal action against the appropriate parties. Through its solicitors, the Parent Company has made a demand to the two other shareholders to immediately transfer back to the Parent Company the said 45,000 ordinary shares in Ray Alliance.

6) **RELATED PARTY TRANSACTIONS**

The Group was charged $41,853 (2017: $38,390) in accounting fees by Administration Outsourcing Co., Ltd, a company related by way of common directorship, of which $3,354 (2017: $4,602) remained outstanding as at 28 February 2018.

*Expressed in U.S. Dollars*

6) **RELATED PARTY TRANSACTIONS** (Cont'd)

During the year, the Group paid directors' fees, inclusive of an accommodation allowance, amounting to $202,700 (2017: $218,902).

The Group entered into transactions with companies related through common ownership. Details are as follows:

(a) **Due from related party**

| | **2018** | **2017** |
|---|---|---|
| Beehive Asia Co., Ltd. | $— | $97 |

(b) **Due to related parties**

| | **2018** | **2017** |
|---|---|---|
| Beehive DMCC | — | 29,382 |
| Director | 4,797 | 30,584 |
| | $4,797 | $59,966 |

The amounts due from and to related parties are unsecured, interest-free and repayable on demand, except for the amount due to Beehive DMCC which bore interest at 1% per annum beginning 19 June 2017.

7) **INVESTMENT IN ASSOCIATE**

On 21 December 2016, the Group paid $29,382 for a 50.995% interest in Beehive Asia Co., Ltd., a company incorporated in Thailand. The Group had no control over the financial and reporting policies of Beehive and has accordingly accounted for it as an associate.

Movements of investment in associate as at 28 February 2018 and 2017 were as follows:

| | **2018** | **2017** |
|---|---|---|
| Balance at 1 March | — | — |
| Investment | — | 29,382 |
| Share of loss of associate company | — | (29,382) |
| Balance at 28 February | $ — | $ — |

On 10 November 2017, Beehive Asia Holdings Company Limited exercised its call option to require the Group to sell its interest in Beehive Asia Co., Ltd. The Group received THB252,117. A gain on disposal of $7,522 was recognised in the consolidated statement of comprehensive income.

8) **SHARE CAPITAL**

**Authorised**
The Parent Company is authorised to issue an unlimited number of no par value shares of a single class.

*Expressed in U.S. Dollars*

8) **SHARE CAPITAL** (Cont'd)

| | 2018 | 2017 |
|---|---|---|
| **Issued and fully paid** | | |
| 11,433,433 (2017: 11,433,433) shares of no par value per share. | $913,496 | $913,496 |

Each share in the Parent Company confers upon the shareholder:

(a) the right to one vote on any resolution of shareholders;
(b) the right to an equal share in any dividend paid by the Parent Company; and
(c) the right to an equal share in the distribution of the surplus assets of the Parent Company on its liquidation.

9) **SHARE-BASED PAYMENTS**

a) **Options**

Share options outstanding as at the end of the year had the following expiry dates and exercise prices:

| Grant Date | Expiry Date | Exercise Price | 2018 | 2017 |
|---|---|---|---|---|
| 1 October 2012 | 27 May 2018 | £0.60 | — | 50,000 |
| 1 July 2013 | 1 July 2017 | £0.60 | — | — |
| 31 July 2013 | 30 July 2018 | £0.60 | — | 100,000 |

During the year, share options of 150,000 (2017: 260,000) with exercise price of £0.60 (2017: £0.60) were not exercised and, thus expired resulting in the transfer to accumulated deficit of $10,708 (2017: $18,561).

b) **Warrants**

During the prior year, share warrants of 55,444 with exercise price of £0.60 were not exercised and, thus expired resulting in the transfer to accumulated deficit of $6,154.

10) **INVESTMENT IN SUBSIDIARY**

As at 28 February 2017, the Group held 68.99% of BTS Property. The acquisition earned the Group goodwill of $11,815 which was impaired and written off in the consolidated statement of comprehensive income during the prior year.

As discussed in note 1, the Parent Company, through Meyer Thailand, transferred its ownership of BTS Property, and accordingly the Parent Company has not accounted for it as a subsidiary.

The following details certain information with respect to the subsidiary that has non-controlling interests:

| | Accumulated balances of non-controlling interests | | Total comprehensive loss allocated to Non-controlling interests | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| **Subsidiary** | | | | |
| BTS Property – 31.01% | $ — | $(17,552) | $ — | $(16,291) |

*Expressed in U.S. Dollars*

## 11) LEASES

| | 2018 | 2017 |
|---|---|---|
| Liabilities under finance lease agreements: | | |
| Less than 1 year | 7,785 | 7,017 |
| 1 to 5 years | 10,900 | 18,245 |
| Total | 18,685 | 25,262 |
| Less: Deferred interest | (1,629) | (2,525) |
| | 17,056 | 22,737 |
| Less: Current portion net of short term deferred interest | (6,989) | (6,123) |
| Net | $10,067 | $16,614 |

## 12) TAXATION

There is no mainstream taxation in the British Virgin Islands. The Parent Company and Meyer BVI are not subject to any forms of taxation in the British Virgin Islands, including income, capital gains and withholding taxes.

Meyer Thailand, Prime RE and BTS Property are subject to Thailand graduated statutory income tax at a rate of 0-10% on profit before tax.

The current tax expense included in the consolidated statement of comprehensive income relates to the following subsidiary:

| | 2018 | 2017 |
|---|---|---|
| Meyer Thailand | $3,273 | $ — |

The Group had no deferred tax assets or liabilities as at the reporting date.

The Group's total income tax differs from the amount determined by multiplying net income before taxation by the weighted average tax rate of 1.47% (2017: nil%) as follows:

| | 2018 | 2017 |
|---|---|---|
| Net income/(loss) before taxation | $150,118 | $(110,395) |
| Tax calculated at weighted average tax rate | 2,207 | — |
| Expenses not deductible for tax purposes | 849 | — |
| Meyer BVI net profit not subject to tax | (6,174) | — |
| Parent Company's net loss not subject to tax | 3,522 | — |
| Other differences | 2,869 | — |
| | $3,273 | $ — |

*Expressed in U.S. Dollars*

## 13) EARNINGS/(LOSS) PER SHARE

### a) Basic

Basic earnings/(loss) per share is calculated by dividing the loss attributable to equity holders of the Parent Company by the weighted average number of shares in issue during the year.

| | 2018 | 2017 |
|---|---|---|
| Earnings/(loss) attributable to equity holders of the Parent Company | $146,845 | $(94,104) |
| Weighted average number of shares in issue | 11,433,433 | 11,433,433 |
| Basic earnings/(loss) per share | $0.01284 | $(0.00823) |

### b) Diluted

Diluted earnings/(loss) per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all dilutive potential shares. The Parent Company has share warrants and share options as potential dilutive shares. For the share options and warrants, a calculation is done to determine the number of shares that could have been acquired at fair value based on the monetary value of the subscription rights attached to outstanding share options and warrants. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options and warrants.

| | 2018 | 2017 |
|---|---|---|
| Earnings/(loss) attributable to equity holders of the Parent Company | $146,845 | $(94,104) |
| Weighted average number of shares in issue | 11,433,433 | 11,433,433 |
| Adjusted for weighted average number of : | | |
| - share options (see note 9(a)) | — | 150,000 |
| Weighted average number of shares for diluted earnings per share | 11,583,433 | 11,583,433 |
| Diluted earnings/(loss) per share | $0.01284 | $(0.00812) |

## 14) SEGMENTAL INFORMATION

The Group has three reportable segments based on geographical areas where the Group operates and these were as follows:

British Virgin Islands ("BVI") – where the Company and Meyer BVI are domiciled. The Parent Company serves as the investment holding company of the Group and Meyer BVI provides wealth management and advisory services.

Thailand – where Meyer Thailand is domiciled and provides marketing and economic consulting services to the Group; where Prime RE is domiciled and provides property rental services; and BTS Property is domiciled and provides property management services.

*Expressed in U.S. Dollars*

14) **SEGMENTAL INFORMATION** (Cont'd)

The reportable segmental revenue, other profit and loss disclosures, assets and liabilities were as follows:

**Revenue**

| | 2018 | | | 2017 | | |
|---|---|---|---|---|---|---|
| | Total segment revenue | Inter-segment revenue | Revenue from external customers | Total segment revenue | Inter-segment revenue | Revenue from external customers |
| BVI | 2,160,615 | — | 2,160,615 | 1,475,832 | — | 1,475,832 |
| Thailand | 257,973 | (227,990) | 29,983 | 258,731 | (207,708) | 51,023 |
| Total | $2,418,588 | $(227,990) | $ 2,190,598 | $1,734,563 | $(207,708) | $1,526,855 |

The revenue between segments is carried out at arm's length. Revenues from two customers of the BVI segment represent approximately 69% (2017: 68%) of the Group's total revenues.

**Other profit and loss disclosures**

| | 2018 | | | 2017 | | |
|---|---|---|---|---|---|---|
| | Commission expense | Depreciation | Income tax | Commission expense | Depreciation | Income tax |
| BVI | 1,323,899 | 757 | — | 866,677 | 753 | — |
| Thailand | 3,469 | 34,300 | 3,273 | 14,300 | 19,264 | — |
| Total | $1,327,368 | $35,057 | $3,273 | $880,977 | $20,017 | $ — |

**Assets**

| | 2018 | | 2017 | |
|---|---|---|---|---|
| | Total assets | Additions to non-current assets | Total assets | Additions to non-current assets |
| BVI | 1,992,544 | 1,379 | 1,467,246 | 1,381 |
| Thailand | 524,142 | 5,019 | 576,542 | 389,313 |
| Total | $2,516,686 | $6,398 | $2,043,788 | $390,694 |

Intersegment assets amounting to $3,348,841 (2017: $3,147,145) were already eliminated in the total assets per segment above.

*Expressed in U.S. Dollars*

14) **SEGMENTAL INFORMATION** (Cont'd)

**Liabilities**

| | 2018 | 2017 |
|---|---|---|
| BVI | 1,241,953 | 964,746 |
| Thailand | 62,245 | 147,791 |
| Total | $1,304,198 | $1,112,537 |

Intersegment liabilities amounting to $3,223,930 (2017: $3,028,665) were already eliminated in the total liabilities per segment above.

15) **FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS**

Financial assets of the Group include cash and cash equivalents, trade receivables, loans and other receivables, due from related party and available-for-sale investment. Financial liabilities include trade payables, due to related parties and other payables and accrued expenses.

a) **Market risk**

Market risk represents the potential loss that can be caused by a change in the market value of the Group's financial instruments. The Group's exposure to market risk is determined by a number of factors which include interest rate risk and currency risk.

*Interest rate risk*

The financial instruments exposed to interest rate risk comprise cash and cash equivalents.

The Group is exposed to interest rate cash flow risk on cash and cash equivalents, which earn interest at floating interest rates that are reset as market rates change. The Group is exposed to interest rate risk to the extent that these interest rates may fluctuate.

A sensitivity analysis was performed with respect to the interest-bearing financial instruments with exposure to fluctuations in interest rates and management noted that there would be no material effect to shareholders' equity or net income for the year.

*Currency risk*

The Group may invest in financial instruments and enter into transactions denominated in currencies other than its functional currency. Consequently, the Group is exposed to risk that the exchange rate of its currency relative to other foreign currencies may change in a manner that has an adverse affect on the value of that portion of the Group's assets or liabilities denominated in currencies other than the U.S. Dollar.

15) **FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS** (Cont'd)

a) **Market risk** (Cont'd)

*Currency risk* (Cont'd)

The Group's total net exposure to fluctuations in foreign currency exchange rates at the reporting date stated in U.S. Dollars was as follows:

| | 2018 | | 2017 | |
|---|---|---|---|---|
| | **Fair value** | **% of net assets** | **Fair value** | **% of net assets** |
| **Assets** | | | | |
| Japanese Yen | 781,264 | 64.43 | 513,468 | 55.14 |
| Thailand Bhat | 461,897 | 38.09 | 428,751 | 46.04 |
| Euro | 164,903 | 13.60 | 127,467 | 13.69 |
| United Kingdom Pound | 106,685 | 8.80 | 32,449 | 3.48 |
| | $1,514,749 | 124.92 | $1,102,135 | 118.35 |

The table below summarises the sensitivity of the net assets to changes in foreign exchange movements at 28 February 2018. The analysis is based on the assumption that the relevant foreign exchange rate increased/decreased against the U.S. Dollar by the percentages disclosed in the table below, with all other variables held constant. This represents management's best estimate of a reasonable possible shift in the foreign exchange rates, having regard to historical volatility of those rates.

| | 2018 | | 2017 | |
|---|---|---|---|---|
| | **Possible shift in rate** | **Possible shift in amount** | **Possible shift in rate** | **Possible shift in amount** |
| Japanese Yen | 3.06% | 23,907 | 6.55% | 33,632 |
| Thailand Bhat | 4.66% | 21,524 | 1.73% | 9,974 |
| Euro | 6.57% | 10,834 | 3.00% | 3,824 |
| United Kingdom Pound | 5.96% | 6,358 | 6.76% | 2,194 |
| | | $62,623 | | $49,624 |

b) **Credit risk**

Credit risk represents the accounting loss that would be recognised at the reporting date if financial instrument counterparties failed to perform as contracted.

*Expressed in U.S. Dollars*

15) **FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS** (Cont'd)

b) **Credit risk** (Cont'd)

As at 28 February 2018 and 2017, the Group's financial assets exposed to credit risk amounted to the following:

| | **2018** | **2017** |
|---|---|---|
| Cash and cash equivalents | 1,346,655 | 869,147 |
| Trade receivables | 228,577 | 215,041 |
| Loans and other receivables | 92,168 | 133,046 |
| Due from related party | — | 97 |
| Available-for-sale investment | 318,162 | 318,162 |
| | $1,985,562 | $1,535,493 |

The ageing of the Group's trade receivables as at 28 February 2018 and 2017 is as follows:

| | **2018** | | **2017** | |
|---|---|---|---|---|
| | **Gross** | **Impairment** | **Gross** | **Impairment** |
| 1 – 90 days | 211,305 | — | 141,211 | — |
| 91 – 180 days | 17,272 | — | 73,830 | — |
| | $228,577 | $ — | $215,041 | $ — |

The movement in the allowance for doubtful accounts as at 28 February 2018 and 2017 is as follows:

| | **2018** | **2017** |
|---|---|---|
| Balance at 1 March | — | 44,100 |
| Written off | — | (44,100) |
| Balance at 28 February | $ — | $ — |

The Group invests all its available cash and cash equivalents in several banks. The Group is exposed to credit risk to the extent that these banks may be unable to repay amounts owed. To manage the level of credit risk, the Group attempts to deal with banks of good credit standing, whenever possible.

The Group has two significant customers which expose it to credit risk, though the exposure to credit risk is reduced as these customers have a good working relationship with the Group. To reduce exposure to credit risk, the Group may perform ongoing credit evaluations on the financial condition of its customers, but generally does not require collateral.

The Group is exposed to credit risk with respect to its investments. Bankruptcy or insolvency of the investee companies may cause the Group's rights to the security to be delayed or limited.

The extent of the Group's exposure to credit risk in respect of these financial assets approximates their carrying values.

15) **FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS** (Cont'd)

c) **Liquidity risk**

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. Typically, the Group ensures that it has sufficient cash on demand to meet expected operational needs as they arise.

All of the Group's financial liabilities are expected to be settled within a year from the reporting date.

16) **FAIR VALUE INFORMATION**

The Group's investments at the reporting date comprise an investment in the unlisted ordinary shares of Ray Alliance. Ordinary shares that have no active market and whose fair value cannot be reliably measured are carried at cost, less impairment, if any.

For certain of the Group's financial instruments, not carried at fair value, including cash and cash equivalents, trade receivables, loans and other receivables, trade payables and other payables and accrued expenses, the carrying amounts approximate fair value due to the immediate or short-term nature of these financial instruments. The carrying values of the amounts due from/to related parties approximate their fair values, since such amounts are repayable on demand.

The fair value hierarchy has the following levels:

- 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.
- Level 3 inputs are unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level of input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgment by the Group. The Group considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

Investments whose values are based on quoted market prices in active markets are therefore classified within Level 1.

*Expressed in U.S. Dollars*

## 16) FAIR VALUE INFORMATION (Cont'd)

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2. As Level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

Investments classified within Level 3 have significant unobservable inputs, as they trade infrequently. The Group's Level 3 investment comprises an investment in unlisted shares valued at cost, since there was no information to estimate their fair values. The Group believes that the value stated as at 28 February 2018 is most representative of its fair value.

The following table analyses within the fair value hierarchy the Group's financial assets (by class) measured at fair value at the reporting date:

| | 2018 | 2017 |
|---|---|---|
| *Level 3* | | |
| Available-for-sale investment | $318,162 | $318,162 |

The Group did not hold any investments under the Level 1 and Level 2 hierarchies as at 28 February 2018 and 2017.

Level 3 investments are valued at their acquisition cost since there was no available information to estimate their fair values. Management believes that the values stated as at 28 February 2018 and 2017 are most representative of fair value.

There were no significant investments transferred between Levels 1, 2 and 3.

## 17) CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are:

- to safeguard the Group's ability to continue as a going concern; and
- to provide adequate returns to its shareholders.

In order to maintain or balance its overall capital structure to meet its objectives, the Group is continually monitoring the level of share issuance and any dividend declaration and distributions to shareholders in the future.

## 18) COMPARATIVE INFORMATION

Certain comparative figures have been reclassified to conform with the current year's presentation.