Axion Ventures Inc.
Consolidated Financial Statements

(Expressed in United States Dollars)

For the Years Ended December 31, 2017 and 2016

Contents

Administrative information

Directors	Todd Bonner Birathon Kasemsri Na Ayudhaya Grant Kim Stephen Willey
Registered office	530 – 625 Howe Street Vancouver British Columbia V6C 2T6 Canada
Auditor	BDO Limited 25th floor, Wing On Centre 111 Connaught Road Central Hong Kong

Independent Auditor's Report to the shareholders of Axion Ventures Inc.

We have audited the accompanying consolidated financial statements of Axion Ventures Inc. and its subsidiaries (together the "Group"), which comprise the consolidated statements of financial position as at December 31, 2017, December 31, 2016 and January 1, 2016, and the consolidated statements of changes in equity, the consolidated statements of comprehensive income and the consolidated statements of cash flows for the years ended December 31, 2017 and 2016, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2017, December 31, 2016 and January 1, 2016 and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2017 and 2016 in accordance with International Financial Reporting Standards.

Independent Auditor's Report to the shareholders of Axion Ventures Inc.

Emphasis of Matters

(i) *Going Concern*
Without qualifying our opinion, we draw attention to Note 2.4 to the consolidated financial statements which indicates that the Group incurred a loss of $7,749,000 for the year ended December 31, 2017, and as of that date, the Group's current liabilities exceeded its current assets by $3,064,000. These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern.

(ii) *Restated Comparative Information*
We draw attention to Note 2.1 to the consolidated financial statements, which explains that certain comparative information for the year ended December 31, 2016 has been restated. Our opinion is not modified in respect of this matter.

Other Matters

The consolidated financial statements of the Group for the year ended December 31, 2016 (prior to the restatements of the comparative information described in Note 2.1 to the consolidated financial statements) were audited by another auditor who expressed an unmodified opinion on those financial statements on April 28, 2016.

As part of our audit of the consolidated financial statements of the Group for the year ended December 31, 2017, we also audited the consolidated financial statements for the year ended December 31, 2016, which includes the adjustments described in Note 2.1 to the consolidated financial statements that were applied to restate the consolidated financial statements for the year ended December 31, 2016. In our opinion, such adjustments are appropriate and have been properly applied.

BDO Limited
Certified Public Accountants

Hong Kong, May 31, 2018

Consolidated Statements of Comprehensive Income
For the Years Ended December 31, 2017 and 2016

	Notes	2017 $'000	2016 $'000 (Restated)
Revenue	7	6,663	7,105
Cost of sales		(3,652)	(3,869)
Gross profit		3,011	3,236
Research and development expenses		(1,625)	(2,384)
Selling and distribution expenses		(1,116)	(1,509)
General and administrative expenses		(8,534)	(4,617)
Loss from operations		(8,264)	(5,274)
Other income		505	48
Finance income	11	20	25
Finance expense	11	(55)	(13)
Foreign currency exchange gain/(loss)		45	(34)
Listing expenses	6	-	(1,032)
Loss before income tax		(7,749)	(6,280)
Income tax expense	12	-	(13)
Loss for the year		(7,749)	(6,293)
Other comprehensive income:			
Item that will or may be reclassified to profit or loss:			
Exchange difference arising on translation of foreign operations		598	(1,180)
Other comprehensive income for the year, net of tax		598	(1,180)
Total comprehensive income		(7,151)	(7,473)

Consolidated Statements of Comprehensive Income
For the Years Ended December 31, 2017 and 2016

	Notes	2017 $'000	2016 $'000 (Restated)
Loss for the year attributable to:			
Owners of the Company		(6,390)	(4,114)
Non-controlling interests		(1,359)	(2,179)
		(7,749)	(6,293)
Total comprehensive income attributable to:			
Owners of the Company		(6,015)	(5,290)
Non-controlling interests		(1,136)	(2,183)
		(7,151)	(7,473)
Loss per share attributable to owners of the Company	13		
			(Restated)
Basic		(4.18 cents)	(0.99 cents)
Diluted		(4.18 cents)	(0.99 cents)

Consolidated Statements of Financial Position
As at December 31, 2017 and 2016

	Notes	December 31, 2017 $'000	December 31, 2016 $'000 (Restated)	January 1, 2016 $'000 (Restated)
Assets				
Non-current assets				
Intangible assets	14	7,665	4,630	2,044
Property, plant and equipment	15	743	111	180
Available-for-sale investments	16	1,521	361	-
Trade and other receivables	17	297	-	-
		10,226	5,102	2,224
Current assets				
Trade and other receivables	17	1,287	1,293	4,549
Cash and cash equivalents	18	3,699	7,166	2,146
Total current assets		4,986	8,459	6,695
Total assets		15,212	13,561	8,919
Liabilities				
Current liabilities				
Trade and other payables	19	5,216	4,520	4,363
Deferred revenue		2,834	2,622	2,503
Total current liabilities		8,050	7,142	6,866
Net current (liabilities)/assets		(3,064)	1,317	(171)
NET ASSETS		7,162	6,419	2,053
Issued capital and reserves attributable to owners of the Company				
Share capital	20	63,739	56,568	22,960
Foreign currency translation reserve	21	(603)	(978)	138
Share-based payment reserve	21	1,009	412	181
Other reserve	21	(33,543)	(33,543)	(11,439)
Accumulated losses	21	(23,319)	(17,055)	(9,937)
		7,283	5,404	1,903
Non-controlling interests		(121)	1,015	150
TOTAL EQUITY		7,162	6,419	2,053

The consolidated financial statements on pages 4 to 67 were approved and authorised for issue by the Board of Directors on May 31,2018 and were signed on its behalf by:

/s/ John Todd Bonner
John Todd Bonner
Chairman and CEO

/s/ Stephen Willey
Stephen Willey
Director

Consolidated Statements of Changes in Equity
For the Year Ended December 31, 2017

	Equity attributable to the owners of the Company							
	Share capital $'000	**Foreign currency translation reserve $'000**	**Share-based payment reserve $'000**	**Other reserve $'000**	**Accumulated losses $'000**	**Total $'000**	**Non-controlling interests $'000**	**Total equity $'000**
At January 1, 2016 as restated	22,960	138	181	(11,439)	(9,937)	1,903	150	2,053
Comprehensive income for the year								
Loss for the year	-	-	-	-	(4,114)	(4,114)	(2,179)	(6,293)
Exchange difference arising on translation of foreign operations	-	(1,176)	-	-	-	(1,176)	(4)	(1,180)
Total comprehensive income for the year	-	(1,176)	-	-	(4,114)	(5,290)	(2,183)	(7,473)
Contributions by and distributions to owners								
Recognition of equity-settled share-based payments	-	-	287	-	-	287	-	287
Forfeiture of share options	-	-	(39)	-	39	-	-	-
Exercise of share options	46	-	(17)	-	-	29	-	29
Capital contribution from non-controlling interest of a subsidiary	-	-	-	(1,220)	-	(1,220)	-	(1,220)
Reverse acquisition and transaction with non-controlling interests	25,420	60	-	(20,884)	(3,043)	1,553	3,048	4,601
Issuance of new shares	8,664	-	-	-	-	8,664	-	8,664
Share issue costs	(522)	-	-	-	-	(522)	-	(522)
Total contributions by and distributions to owners	33,608	60	231	(22,104)	(3,004)	8,791	3,048	11,839
At December 31, 2016 as restated	56,568	(978)	412	(33,543)	(17,055)	5,404	1,015	6,419

Consolidated Statements of Changes in Equity
For the Year Ended December 31, 2017

	Equity attributable to the owners of the Company							
	Share capital $'000	**Foreign currency translation reserve $'000**	**Share-based payment reserve $'000**	**Other reserve $'000**	**Accumulated losses $'000**	**Total $'000**	**Non-controlling interests $'000**	**Total equity $'000**
At January 1, 2017 as restated	56,568	(978)	412	(33,543)	(17,055)	5,404	1,015	6,419
Comprehensive income for the year								
Loss for the year	-	-	-	-	(6,390)	(6,390)	(1,359)	(7,749)
Exchange difference arising on translation of foreign operations	-	375	-	-	-	375	223	598
Total comprehensive income for the year	-	375	-	-	(6,390)	(6,015)	(1,136)	(7,151)
Contributions by and distributions to owners								
Recognition of equity-settled share-based payments	-	-	723	-	-	723	-	723
Forfeiture of share options	-	-	(115)	-	115	-	-	-
Exercise of warrants	22	-	(11)	-	11	22	-	22
Issuance of new shares	7,634	-	-	-	-	7,634	-	7,634
Share issue costs	(485)	-	-	-	-	(485)	-	(485)
Total contributions by and distributions to owners	7,171	-	597	-	126	7,894	-	7,894
At December 31, 2017	63,739	(603)	1,009	(33,543)	(23,319)	7,283	(121)	7,162

Consolidated Statements of Cash Flows
For the Year Ended December 31, 2017 and 2016

	Notes	2017 $'000	2016 $'000 (Restated)
Cash flows from operating activities			
Loss before income tax		(7,749)	(6,280)
Adjustments for:			
Depreciation of property, plant and equipment		89	98
Amortisation of intangible assets		47	130
Share-based payments		723	287
Loss on disposal of intangible assets		86	-
Provision for impairment of available-for-sale investments		387	-
Write off of trade receivables		266	602
Finance income		(20)	(25)
Finance expense		55	13
Listing expense	6	-	1,032
Operating cash flows before movement in working capital		(6,116)	(4,143)
(Increase)/Decrease in trade and other receivables		(557)	2,730
Increase in trade and other payables		696	81
Increase in deferred revenue		212	119
Cash used in operations		(5,765)	(1,213)
Income taxes paid		-	(13)
Net cash flows used in operating activities		(5,765)	(1,226)
Investing activities			
Purchase of intangible assets	14	(3,165)	(2,738)
Purchase of property, plant and equipment	15	(705)	(60)
Addition of available-for-sale investments		(1,521)	(361)
Interest received		20	25
Net cash used in investing activities		(5,371)	(3,134)
Financing activities			
Issue of shares, net of transaction costs	20	7,171	8,171
Capital contribution from non-controlling interest of a subsidiary		-	1,220
Interest paid		(55)	(13)
Net cash flows generated from financing activities		7,116	9,378
Net (decrease)/increase in cash and cash equivalents		(4,020)	5,018
Cash and cash equivalents at the beginning of the year		7,166	2,146
Exchange difference on cash and cash equivalents		553	2
Cash and cash equivalents at the end of the year		3,699	7,166

Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2017 and 2016

1. General information

Axion Ventures Inc. (“Axion Ventures” or the “Company”) was incorporated under the British Columbia Business Corporations Act on June 21, 2011, is domiciled in Canada and was originally classified as a Capital Pool Company (“CPC”) as defined in Policy 2.4 of the TSX Venture Exchange (“TSX-V” or “Exchange").

On December 2, 2011, the shares of the Company commenced trading under the symbol “CSP.P”. The principal business of the Company was the identification and evaluation of assets or businesses with a view to completing a Qualifying Transaction as defined under the policies of the TSX-V (“QT”). On March 24, 2014, the Company moved from the TSX-V to the NEX board of the TSX-V trading under the symbol “CSP.H”.

On May 11, 2016, the Company completed its Qualifying Transaction as particularly described in its TSX-V filing statement previously filed with Canadian regulatory authorities. As a result of the completion of the Qualifying Transaction, the Company ceased to be a CPC, and following receipt of final Exchange approval, the Company was listed as a Tier 2 Investment Issuer on the Exchange on May 18, 2016 under the symbol “CSP”.

On November 1, 2016, the Company was approved for graduation from Tier 2 Investment Issuer to Tier 1 Investment Issuer status by the TSX-V. With the graduation to a Tier 1 listing, the common shares of the Company previously deposited into escrow pursuant to the rules of the TSX-V are governed by the release provisions of Tier 1 Issuer’s escrow.

On March 9, 2017, the Company changed its name from “Capstream Ventures Inc.” to “Axion Ventures Inc.” and effective from March 10, 2017, the Company’s common shares traded under the new name and new symbol “AVX” on the TSX-V.

Axion Ventures becomes an investment issuer focused on investments in the online video gaming and other IT sectors after the completion of Qualifying Transaction.

The address of the Company’s corporate office and principal place of business is 530 – 625 Howe Street, Vancouver, British Columbia, V6C 2T6, Canada.

Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2017 and 2016

2. Basis of preparation and prior year adjustments
2.1 Prior year adjustments

Consolidated statement of financial position as at December 31, 2016

	As previously reported $'000	Restatement #1 $'000	Restatement #2 $'000	Restatement #3 $'000	Restatement #4 $'000	As restated $'000
Assets						
Non-current assets						
Intangible assets	4,630					4,630
Property, plant and equipment	111					111
Available-for-sale investments	361					361
	5,102					5,102
Current assets						
Investments	2,653				(2,653)	-
Trade and other receivables	1,706				(413)	1,293
Cash and cash equivalents	4,513				2,653	7,166
Total current assets	8,872					8,459
Total assets	13,974					13,561
Liabilities						
Current liabilities						
Trade and other payables	5,413		(580)		(313)	4,520
Deferred revenue	2,950			(228)	(100)	2,622
Total current liabilities	8,363					7,142
Net current assets	509					1,317
NET ASSETS	5,611					6,419

Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2017 and 2016

2. Basis of preparation and prior year adjustments (continued)

2.1 Prior year adjustments (continued)

Consolidated statement of financial position as at December 31, 2016

	As previously reported $'000	Restatement #1 $'000	Restatement #2 $'000	Restatement #3 $'000	Restatement #4 $'000	As restated $'000
Issued capital and reserves attributable to owners of the Company						
Share capital	44,494	12,074				56,568
Foreign currency translation reserve	(62)	(916)				(978)
Share-based payment reserve	435				(23)	412
Reverse acquisition reserve	(18,429)	(15,114)				(33,543)
Accumulated losses	(20,235)	2,346	672	139	23	(17,055)
	6,203					5,404
Non-controlling interests	(592)	1,610	(92)	89		1,015
TOTAL EQUITY	5,611					6,419

Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2017 and 2016

2. Basis of preparation and prior year adjustments (continued)

2.1 Prior year adjustments (continued)

Consolidated statement of comprehensive income for the year ended December 31, 2016

	As previously reported $'000	Restatement #1 $'000	Restatement #2 $'000	Restatement #3 $'000	Restatement #4 $'000	As restated $'000
Revenue	6,854			228	23	7,105
Cost of sales	(4,477)				608	(3,869)
Gross profit	2,377					3,236
Research and development expenses	-				(2,384)	(2,384)
Selling and distribution expenses	(4,525)				3,016	(1,509)
General and administrative expenses	(2,214)		(237)		(2,166)	(4,617)
Corporate administrative expenses	(900)				900	-
Loss from operations	(5,262)					(5,274)
Other income	62				(14)	48
Finance income	24				1	25
Finance expense	(21)				8	(13)
Foreign currency exchange loss	(42)				8	(34)
Listing expenses	(1,663)	631				(1,032)
Loss before income tax	(6,902)					(6,280)
Income tax expense	(13)					(13)
Loss for the year	(6,915)					(6,293)

Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2017 and 2016

2. Basis of preparation and prior year adjustments (continued)

2.1 Prior years restatements (continued)

1. Management revisited the accounting treatment of "recapitalisation" incurred from the QT engaged during the year ended December 31, 2016 and made correction on the corresponding accounting entries. The correction would affect the consolidated statement of financial position of the Group as at December 31, 2016 by (i) increase the share capital by $12,074,000; (ii) decrease the foreign currency translation reserve of $916,000, (iii) decrease of reverse acquisition reserve by $15,114,000, (iv) decrease the accumulated losses by $2,346,000 and (v) increase the non-controlling interests by $1,610,000. The effect on the consolidated statement of comprehensive income is to decrease the listing expense by $631,000 for the year ended December 31, 2016.

2. Management re-assessed the provision for social security funds and determined that an overstatement of provision for social security funds amounting to $580,000 as at December 31, 2016. The effect of the restatement on the consolidated statement of financial position of the Group as at December 31, 2016 is to i) decrease the provision for social security funds by $580,000; ii) decrease accumulated losses by $672,000 and iii) decrease the non-controlling interests by $92,000. The effect on the consolidated statement of comprehensive income is to increase the provision for social security fund by $237,000 for the year ended December 31, 2016.

3. Management re-determined the average gamer life by using the active player data for the past three years as at December 31, 2016, the average gamer life changed from 410 days to 336 days as at January 1, 2016 and from 484 days to 379 days as at December 31, 2016. The effect of the restatement on the consolidated statement of financial position of the Group as at December 31, 2016 is to i) decrease the deferred revenue by $228,000; ii) to decrease the accumulated losses by $139,000 and iii) increase the non-controlling interests by $89,000. The effect on the consolidated statement of comprehensive income is to increase revenue by $228,000 for the year ended December 31, 2016.

4. Management re-assessed the nature of these balances and determined to re-present the Group's financial statements for presentation of a correct classification. Such re-classification does not cause any change in the Group's net assets position as at December 31, 2016 or loss for the year then ended.

As a result of the above restatements, loss per share for the year ended December 31, 2016 was adjusted accordingly.

2.2 Statement of compliance and basis of presentation

These consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Standards Interpretations Committee.

These consolidated financial statements present the financial information of the Company and its subsidiary undertakings (together "the Group"). The principal activities of the Group are principally engaged in game software development, game operation, provision of outsourcing services, software license and software training.

These consolidated financial statements have been prepared on an accruals basis and are based on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2017 and 2016

2. Basis of preparation and prior year adjustments (continued)

2.3 Functional and presentation currency

The functional currency of the Company is Canadian Dollars ("CAD"), the currency of the primary economic environment in which the Company operates. The presentation currency of the consolidated financial statements in prior financial year was also CAD. Having considered the completion of the QT in FY2016, the Company makes its investments and receives return from them in United States Dollars ("$"), and also majority of the transactions of the Group are denominated and settled in $, the board of directors considers it is more appropriate to use $ as its presentation currency for its consolidated financial statements.

The change in presentation currency of the consolidated financial statements has been applied retrospectively in accordance with International Accounting Standard ("IAS") 8 "Accounting policies, changes in accounting estimates and errors", and the comparative figures in the consolidated statements of financial position as at January 1, 2016 and December 31, 2016, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the year ended December 31, 2016 have also been re-presented in $ accordingly. The Group has also presented the consolidated statement of financial position as at January 1, 2016 accordingly.

These consolidated financial statements are presented in $, rounded to the nearest thousand except when otherwise indicated.

2.4 Going concern

During the year ended December 31, 2017, the Group has incurred a loss of $7,749,000 and at the end of reporting period, its current liabilities exceeded its current assets by $3,064,000. These indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and therefore, the Group may not be able to realise its assets and discharge its liabilities in the normal course of business. In particular, the directors of the Company have considered (1) cash inflows to be generated from the launch of a new PC and mobile game named "Rising Fire" in 2018; and (2) financial support rendered from Red Anchor Trading Corp., a related company of the Group, will be sufficient to support the Group's operating cash flows in the coming twelve months from the date of approval of these consolidated financial statements.

In the opinion of the directors of the Company, after taking into account the financial performance, operation as well as capital expenditure and the above financing arrangements of the Group, the Group is expected to have sufficient liquidity to finance its operations for the next twelve months subsequent to the end of the reporting period without significant curtailment of operations. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

Should the Group be unable to continue in business as a going concern, adjustments would have to be made to the consolidated financial statements to reduce the values of the assets to their net realisable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets to current assets. No such adjustments were reflected in the consolidated financial statements.

It should be noted that accounting estimates and assumptions are used in preparation of the consolidated financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 5.

Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2017 and 2016

3. Accounting policies

3.1 Basis of consolidation

These consolidated financial statements include the results of the Company and its subsidiaries. Subsidiaries are entities controlled by the Company. Control exists when the Company has power over an investee, when the Company is exposed, or has rights, to variable returns from the investee and when the Company has the ability to affect those returns through its power over the investee. Subsidiaries are included in the consolidated financial statements from the effective date of the acquisition up to the effective date of disposal or loss of control.

De-facto control exists in situations where the company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether de-facto control exists the company considers all relevant facts and circumstances, including:

- The size of the Company’s voting rights relative to both the size and dispersion of other parties who hold voting rights
- Substantive potential voting rights held by the Company and by other parties
- Other contractual arrangements
- Historic patterns in voting attendance

The consolidated financial statements present the results of the Company and its subsidiaries ("the Group") as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the acquisition method. In the consolidated statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date on which control ceases.

3.2 Non-controlling interests

Non-controlling interests in the Company’s less than wholly-owned subsidiaries are classified as a separate component of equity and represent the equity of a subsidiary not attributable directly or indirectly to the owners of the Company.

On initial recognition, non-controlling interests are measured at their proportionate share of the acquisition date fair value of the identifiable net assets of the acquired subsidiary. Subsequent to the acquisition date, adjustments are made to the carrying amount of non-controlling interests for the non-controlling interests’ share of changes in equity. Adjustments to recognise the non-controlling interests’ share of changes in equity are made even if this results in the non-controlling interests having a deficit balance.

Changes in the Company’s ownership interest in a subsidiary that do not result in a loss of control are recorded as equity transactions, whereby adjustments are made to the amounts of controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2017 and 2016

3. Accounting policies (continued)

3.3 Foreign currency translation

Foreign currency transactions are translated into the functional currency of the reporting entity using the exchange rate prevailing at the date the transactions took place.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are reported at the rates of exchange prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at 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.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at the reporting date of monetary assets and liabilities are reported in profit or loss.

For the purpose of presenting the consolidated financial statements, the assets and liabilities of the Group are translated using exchange rates prevailing at the reporting date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising are recognised through other comprehensive income.

3.4 Earnings per share

Earnings per share calculations are based on the weighted average number of common shares outstanding during the period. For calculations of diluted earnings per share, the weighted average number of common shares outstanding are adjusted to include the effects of dilutive stock options and warrants, whereby proceeds from the potential exercise of dilutive stock options and warrants with exercise prices that are below the average market price of the underlying shares are assumed to be used in purchasing the Company’s common shares at their average market price for the period. Shares issued but held in escrow are included in the calculation of the weighted average number of common shares as outstanding from the period of the issuance with the exception of the performance escrow shares. The performance escrow shares are considered contingently returnable and are excluded from the calculation until such date as the shares are no longer subject to recall.

Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2017 and 2016

3. Accounting policies (continued)

3.5 Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and accumulated impairment losses, if any. The initial cost of an asset comprises its purchase price and any costs directly attributable to bringing the asset into working condition for its intended purpose. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation which commences on the date the asset is available for use and capable of operating in the manner intended by management is provided over the estimated useful lives of assets using the straight-line method, at the following rates per annum:

Computer and office equipment	3 - 5 years
Office furniture	5 - 7 years
Leasehold improvements	2 – 5 years

The assets' residual values, depreciation methods and useful lives are reviewed annually, and adjusted if appropriate prospectively. 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 derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognised.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

3.6 Intangible assets

Acquired intangible assets are recognised initially at cost. After initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Amortisation commences when the intangible assets are available for use. The following useful lives are applied:

Acquired computer software	3 years
Internally generated software	3 years

Internally generated intangible assets are not amortised during the development stage.

The assets' amortisation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Intangible assets are tested for impairment when an indication of impairment exists.

Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2017 and 2016

3. Accounting policies (continued)

3.6 Intangible assets (continued)

Research and development costs

Costs associated with research activities are expensed in profit or loss as they occur. Costs that are directly attributable to development activities are recognised as intangible assets provided they meet the following recognition requirements:

i. demonstration of technical feasibility of the prospective product for internal use or sale;
ii. there is intention to complete the intangible asset and use or sell it;
iii. the Group's ability to use or sell the intangible asset is demonstrated;
iv. the intangible asset will generate probable economic benefits through internal use or sale;
v. sufficient technical, financial and other resources are available for completion; and
vi. the expenditure attributable to the intangible asset can be reliably measured.

Direct costs include employee costs incurred on development activities along with an appropriate portion of relevant overheads. The costs of development of internally generated software, products or knowhow that meet the above recognition criteria are recognised as intangible assets. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life.

3.7 Impairment of non-financial assets

Intangible assets that are not yet available for use are tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other non-financial assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset’s carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions 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 the current market assessment of the time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at the cash-generating unit level.

Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal, or value in use, if determinable. An impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount, 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.

Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2017 and 2016

3. Accounting policies (continued)

3.8 Financial instruments

Financial instruments are recognised in the consolidated statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the instrument.

A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and reward are transferred.

Financial assets carried at amortised cost

Financial assets carried at amortised cost are classified as loans and receivables and comprise trade and other receivables and cash and cash equivalents. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Loans and receivables are initially recognised at fair value adjusted for any directly attributable transaction costs.
After initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

If there is objective evidence that there is an impairment loss on loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through use of an allowance account.

Available-for-sale financial assets

For 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 instruments, they are measured at cost less any identified impairment losses.

Where a decline in the fair value constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognised in profit or loss.

For available-for-sale equity investment, any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

For available-for-sale equity investment that is carried at cost, the amount of impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversed.

Cash and cash equivalents

Cash and cash equivalents include cash, demand deposits with banks and short-term highly liquid investments that are readily convertible to cash with original terms of three months or less.

3. Accounting policies (continued)

3.8 Financial instruments (continued)

Financial liabilities carried at amortised cost

These financial liabilities comprise trade and other payables. Financial liabilities are initially recognised at fair value adjusted for any directly attributable transaction costs.

After initial recognition, financial liabilities are measured at amortised cost using the effective interest method, with interest-related charges recognised as an expense in finance costs. Discounting is omitted where the effect of discounting is immaterial.

A financial liability is derecognised only when the contractual obligation is extinguished, that is, when the obligation is discharged, cancelled or expires.

3.9 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for game operation, licensing of products, providing outsourcing services, providing training services and for the use by others of the Group's assets yielding interest. 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 as follows:

Game operation

PC online games

The Group distributes locally installed PC online games through internet. With pre-paid game cards, players can credit their user accounts with virtual currencies to exchange for the virtual items. Third-party distribution channels and payment channels collect the payments from the paying players and remit the cash to the Group, net of discounts which are pre-determined according to the relevant terms of the agreements entered into between the Group and the third-party distribution or payment channels. As the Group acts as the principal in the transaction, revenue is recognised on a gross basis.

Proceeds received from sales of pre-paid game cards to distributors are initially recorded as advances from customers. Upon activation or charge of the pre-paid game cards to virtual currencies, these advances from customers are immediately transferred to deferred revenue. Proceeds received from sales of virtual currencies to players are recorded as deferred revenue, as the Group has an implied obligation to provide the services which enable the virtual items exchanged with the virtual currencies to be displayed or used in the games.

Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2017 and 2016

3. Accounting policies (continued)

3.9 Revenue recognition

The attributable portion of the deferred revenue relating to values of the virtual items purchased is recognised as revenue only when the services are rendered to the respective paying players. For the purposes of determining when services have been provided to the respective paying players, the Group has determined the following:

a) Consumable items represent virtual items that (i) may a have pre-determined service period; or (ii) can be consumed by a specific player action. Revenue is recognised (as a release from deferred revenue) rateably over the estimated life of the respective virtual items. The average estimated life of those consumable items consumed by a specific player action is estimated as the average period between the time an item is purchased and the time an item is completely consumed by player action. The average estimated life of consumable items of MARS (a PC online game) consumed by a specific player action is 2 days for all periods presented.

b) Permanent ownership items represent virtual items that have no pre-determined service period and are accessible and beneficial to paying players over an extended period of time. Revenue is recognised rateably over the estimated average playing period of paying players which is the average period between the first date the paying players charge virtual currencies to their accounts and the last date these paying players play the game within a certain period of time. Estimated playing period of paying users of MARS was determined to be 331 days for the year ended December 31, 2017 (2016: 379 days (restated)).

Virtual currencies will not expire as long as the personal game account remains active, i.e. being accessed or charged by the player. The unused virtual currencies in an inactive personal game account are recognised as revenues when the likelihood that the Group would provide further online game service with respect to such online points is remote. The Group recognises revenue related to unused virtual currencies under accounts of inactive players who are inactive for greater than 720 consecutive days.

Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2017 and 2016

3. Accounting policies (continued)

3.9 Revenue recognition (continued)

Mobile games

The Group distributes mobile games through third-party distribution platforms. Third-party distribution platforms collect the payments from the paying players and remit the cash to the Group, net of channel commission charges which are pre-determined according to the relevant terms of the agreements entered into between the Group and the third-party distribution platforms. The Group has evaluated the roles and responsibilities of the Group and the third-party distribution or payment channels in the delivery of the game experience to the paying players and concluded that the Group takes the primary responsibilities in rendering the services. Management has determined that the Group is the primary obligor and, accordingly, the Group records revenue on a gross basis, and the commission charged by third-party distribution and payment channels is recorded as cost of sales. Currently, the Group does not operate mobile games for which the Group is not acting as the principal or primary obligor in these arrangements.

Consistent with the Group's revenue recognition policies for PC online games, under the item-based revenue model, for the purposes of determining when the service has been provided to the end-users, the Group has determined that an implied obligation exists to the paying users to continue displaying the purchased virtual items within the game over the estimated useful lives of virtual items. However, due to system limitation on data collection of mobile games, the Group does not have the ability to differentiate the redemption respectively on consumable or permanent ownership items and track the consumption of each virtual item. Therefore, the Group recognises revenue from the sale of virtual currency and other virtual items rateably over the estimated average playing period of paying players. Estimated average playing period of paying users of Kingdom (a mobile game) was determined to be 21 days for all periods presented.

Licensing

In licensing arrangements, the Group is entitled to receive a fixed and non-refundable initial fee which permits the licensee to exploit those licensing rights freely. As the Group has limited remaining obligations to perform after delivery (i.e. at the time of sale), the initial fee is recognised as revenue at the time of sale.

According to certain license agreements, the Group is also entitled to ongoing royalties based on the amount of money generated by the customers. The ongoing royalties are recognised when they are earned, provided that the collection is probable.

Outsourcing service

The Group enters into contracts with other game developers to provide assistance to the development of their own game products.

Revenue generated from outsourcing services associated with a transaction is recognised by reference to the stage of completion of the transaction at the end of the reporting period. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

a) the amount of revenue can be measured reliably;
b) it is probable that the economic benefits associated with the transaction will flow to the entity;
c) the stage of completion of the transaction at the end of the reporting period can be measured reliably; and
d) the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

During the current period revenue was only recognised to the extent of costs incurred, as whilst contracts are expected to be profitable, the stage of completion could not be reliably measured.

Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2017 and 2016

3. Accounting policies (continued)

3.9 Revenue recognition (continued)
Training
Training fees are recognised as revenue over the period of instruction.

Interest income
Interest income is recognised on a time-proportion basis using the effective interest method.

3.10 Leases
An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement, regardless of whether the arrangement takes the legal form of a lease.

Classification of assets leased to the Group
Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

Operating leases
Where the Group has the right to use assets held under operating leases, payments made under the leases are charged to the income statement on a straight-line basis over the lease term except where an alternative basis is more representative of the time pattern of benefits to be derived from the leased assets.

3.11 Share-based payments
The Group operates a stock option plan that enables Group’s directors, officers and technical consultants to acquire shares of the Company. The fair value of share options granted is recognised as an employee or consultant expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

The fair value of the option is measured at the grant date and the share-based compensation is expensed based on graded vesting. When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value of the share options granted is measured using the Binomial model, taking into account the terms and conditions upon which the share purchase options were granted. Forfeiture rates are estimated in advance and are used in the estimate of the share-based expense for the reporting period.

Equity-settled share-based payment transactions with non-employees are measured at the fair value of the goods or services received. However, if the fair values of the goods or services rendered cannot be estimated reliably, the share-based payment transaction is measured at the fair value of the equity instruments granted at the date the non-employee provides the goods or the services.

At the time the share options are exercised, the amount previously recognised in the share option reserve will be transferred to retained earnings. After the vesting date, when the vested share options are later forfeited or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained earnings.

Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2017 and 2016

3. Accounting policies (continued)

3.12 Employee benefits

Retirement benefits
Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees.

The employees of the subsidiary company which operates in the People's Republic of China ("PRC") are required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to contribute the fixed percentage of its payroll costs to the central pension scheme.

The Group operates a provident fund, being a defined contribution plan. The assets of which are held in a separate trustee-administered fund. The provident fund is funded by payments from employees and by the relevant Group of companies. The Group's contribution to provident fund are charged to the profit or loss in the period to which the contribution relate.

Contributions are recognised as an expense in profit or loss as employees render services during the year. The subsidiary's obligations under these plans are limited to the fixed percentage contributions payable.

Short-term employee benefits
Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2017 and 2016

3. Accounting policies (continued)

3.13 Taxation
Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in profit or loss.

Deferred tax is calculated using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled, or the asset realised, provided they are enacted or substantively enacted at the reporting date.

Changes in deferred tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly in equity.

Current and deferred tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts, and there is the intention either to settle on a net basis or to realise the asset and settle the liability simultaneously.

3.14 Segment reporting
Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors and the officer who make strategic decisions.

Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2017 and 2016

3. Accounting policies (continued)

3.15 Related parties (continued)

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) Both entities 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 the employees of the Group or an entity related to the Group;

(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 key management personnel of the entity (or of a parent of the entity); and

(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 Company'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 and include:

(i) that person's children and spouse or domestic partner;
(ii) children of that person's spouse or domestic partner; and
(iii) dependents of that person or that person's spouse or domestic partner.

(Expressed in United States Dollars)

Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2017 and 2016

4. Applications of new or revised IFRSs

Adoption of new or revised IFRSs –effective January 1, 2017
In the current year, the Group has applied for the first time the following new or revised standards issued by the IASB, which are relevant to and effective for the Group's financial statements for the annual period beginning on January 1, 2017:

Amendments to IAS 7	Disclosure Initiative
Annual Improvements to IFRSs 2014-2016 Cycle	Amendments to IFRS 12, Disclosure of Interests in Other Entities

Amendments to IAS 7 – Disclosure Initiative
The amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The adoption of the amendments has no impact to the consolidated financial statements as there are no liabilities arising from financing liabilities.

Annual Improvements to IFRSs 2014-2016 Cycle - Amendments to IFRS 12, Disclosure of Interests in Other Entities
The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to IFRS 12, Disclosure of Interests in Other Entities, to clarify that the disclosure requirements of IFRS 12, other than the requirements to disclose summarised financial information, also apply to an entity's interests in other entities classified as held for sale or discontinued operations in accordance with IFRS 5, Non-Current Assets Held for Sale and Discontinued Operations.

The adoption of the amendments to IFRS 12 has no impact on the financial performance and the financial position of the Group as the amendments affect only disclosure. In addition there is no interests in other entities classified as held for sale or discontinued operations at the end of the reporting period.

(Expressed in United States Dollars)

Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2017 and 2016

4. Applications of new or revised IFRSs (continued)

New or revised IFRSs that have been issued but are not yet effective

At the date of authorisation of these financial statements, the following new/revised IFRSs, potentially relevant to the Group's consolidated financial statements, have been issued but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Annual Improvements to IFRSs 2014-2016 Cycle	Amendments to IFRS 1, First-time adoption of Hong Kong Financial Reporting Standards[1]
Annual Improvements to IFRSs 2014-2016 Cycle	Amendments to IAS 28, Investments in Associates and Joint Ventures[1]
Amendments to IFRS 2	Classification and Measurement of Share-Based Payment Transactions[1]
IFRS 9	Financial Instruments[1]
IFRS 15	Revenue from Contracts with Customers[1]
Amendments to IFRS 15	Revenue from Contracts with Customers (Clarifications to IFRS 15)[1]
IFRIC–Int 22	Foreign Currency Transactions and Advance Consideration[1]
Amendments to IFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures [2]
Annual Improvements to IFRSs 2015-2017 Cycle	Amendments to: IFRS 3, Business Combinations; IFRS 11 Joint Arrangements; IAS 12, Income Taxes; and IAS 23 Borrowing Costs[2]
IFRS 16	Leases[2]
IFRIC-Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

1 Effective for annual periods beginning on or after January 1, 2018
2 Effective for annual periods beginning on or after January 1, 2019
3 The amendments were originally intended to be effective for periods beginning on or after January 1, 2016. The effective date has now been deferred / removed. Early application of the amendments continue to be permitted.

Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2017 and 2016

4. Applications of new or revised IFRSs (continued)

New or revised IFRSs that have been issued but are not yet effective (continued)

Amendments to IFRS 2 – Classification and Measurement of Share-Based Payment Transactions
The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

IFRS 9 - Financial Instruments
IFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income ("FVTOCI") if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss ("FVTPL"). The Group has assessed that its financial assets currently measured at amortised cost and will continue with their respective classification and measurements upon the adoption of IFRS 9.

With respect to the Group's financial assets currently classified as "available-for-sale", these are investments in equity investments which the Group may classify as either FVTPL or irrevocably elect to designate as FVTOCI (without recycling) on transition to IFRS 9.

At December 31, 2017, the Group held available-for-sale equity investments at cost, net of impairment, amounting to $1,521,000. The Group plans to recognise any fair value changes in respect of all the available-for-sale equity investments through profit or loss as they arise. This will give rise to a change in accounting policies as before adopting IFRS 9, the Group only recognises the identified impairment for available-for-sale equity investments measured at cost in profit or loss. Accordingly, for those available-for-sale are measured at cost less any identified impairment losses at the end of the reporting period, this change in policy will increase volatility in the Group's net assets and profit or loss, but will have no impact on other comprehensive income.

The new impairment model in IFRS 9 replaces the "incurred loss" model in IAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure either a 12-month expected credit loss or a lifetime expected credit loss, depending on the asset and the facts and circumstances. This new impairment model may result in an earlier recognition of credit losses on the Group's trade receivables and other financial assets. However, a more detailed analysis is required to determine the extent of the impact.

In addition, IFRS 9 introduces new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements. However, the Group currently does not have any hedge relationship and therefore it will not have any impact on the Group's consolidated financial statements.

(Expressed in United States Dollars)

Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2017 and 2016

4. Applications of new or revised IFRSs (continued)

New or revised IFRSs that have been issued but are not yet effective (continued)

IFRS 9 - Financial Instruments (continued)
IFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from IAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, IFRS 9 retains the requirements in IAS 39 for derecognition of financial assets and financial liabilities. The Group currently does not have any financial liabilities designated at FVTPL and therefore this new requirement will not have any impact on the Group's consolidated financial statements upon adoption of IFRS 9.

IFRS 15 – Revenue from Contracts with Customers
The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. IFRS 15 supersedes existing revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations.

IFRS 15 requires the application of a 5-step approach to revenue recognition:

Step 1:	Identify the contract(s) with a customer
Step 2:	Identify the performance obligations in the contract
Step 3:	Determine the transaction price
Step 4:	Allocate the transaction price to each performance obligation
Step 5:	Recognise revenue when each performance obligation is satisfied

IFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under IFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

The Group is currently assessing the impacts of adopting IFRS 15 on its consolidated financial statements and expects that the standard will not have significant impact, when applied, on the consolidated financial statements of the Group.

Amendments IFRS 15 – Revenue from Contracts with Customers (Clarifications to IFRS 15)
The amendments to IFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

The directors of the Company anticipate that the application of IFRS 15 in the future will not have a material impact on the amounts to be reported in the consolidated financial statements of the Group in the future, based on the existing business model of the Group as at December 31, 2017.

Amendments to IFRS 9 - Prepayment Features with Negative Compensation
The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at FVTOCI if specified conditions are met – instead of at FVTPL.

Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2017 and 2016

4. Applications of new or revised IFRSs (continued)

New or revised IFRSs that have been issued but are not yet effective (continued)

IFRS 16 – Leases
IFRS 16, which upon the effective date will supersede IAS 17 " Leases" and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under IFRS 16, a lessee is required to recognise a right-of-use asset representing its right-to-use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, IAS 17.

In respect of the lessor accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

As at December 31, 2017, the Group has total future minimum lease payments under non-cancellable operating lease of US$1,892,000 as disclosed in note 26. A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding lease liability in respect of all the leases unless they qualify for low value or short-term leases upon the application of IFRS 16. In addition, the application of new requirement may result changes in measurement, presentation and disclosure as indicated above.

Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.

The Group has already commenced an assessment of the impact of adopting the above standards and amendments to existing standards to the Group. Except as described above, the directors of the Company anticipate that the application of other new/revised IFRSs will have no material impact on the Group's financial performance and financial position and/or the disclosures to the consolidated financial statements of the Group.

Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2017 and 2016

5. Critical accounting judgements and key sources of estimation uncertainty

The Group's management makes judgements in the process of applying the Group's accounting policies in the preparation of these consolidated financial statements. In addition, the preparation of the financial data requires that the Group's management makes assumptions and estimates that affect the reported amounts of assets and liabilities at the date of the financial statements, and reported results during the reporting period. Actual results may differ from those estimates as the estimation process is inherently uncertain. Estimates are reviewed on an ongoing basis based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates and the resulting impact on the carrying amounts of the Group's assets and liabilities are accounted for prospectively.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Estimated life of consumable virtual items
Management makes a best estimate regarding the life of consumable virtual items based on the consumption history and pattern of virtual items. Such estimates are subject to re-evaluation on an annual basis.

Estimated average playing period of paying players
The determination of estimated average playing period of paying players is based on the Group's best estimate that takes into account all known and relevant information relating to the first date the paying players charge virtual currencies to their accounts and the last date these paying players would play the game at the time of assessment. Such estimates are subject to re-evaluation on an annual basis.

Estimated inactive players
Management determines that accounts of players without log-in for more than 720 consecutive days are inactive and the unused virtual currencies and virtual items of these accounts are recognised as revenue.

Research and development costs
Careful judgement is applied when deciding whether the recognition requirements for development costs have been met. This is necessary as the economic success of any product development is uncertain and may be subject to future technical problems at the time of recognition. Judgements are based on the best information available at each reporting date. In addition, all internal activities related to the research and development of new software, products or know how are continuously monitored by the Group's management.

Impairment of property, plant and equipment and intangible assets
Management assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to an impairment of property, plant and equipment and intangible assets. Value in use calculations performed in assessing recoverable amounts incorporate a number of key estimates and assumptions about future events, which are subject to uncertainty and might materially differ from the actual results. In making these key estimates and judgements, management takes into consideration assumptions that are mainly based on market conditions existing at the reporting dates and appropriate market and discount rates. These estimates are regularly compared to actual market data and actual transactions entered into by the Group.

Impairment of available-for-sale investments
Management review available-for-sale financial assets at the end of each reporting period to assess whether they are impaired. The Group records impairment charges on available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is significant or prolonged requires judgement. In making this judgement, the directors evaluate, among other factors, the duration and extent to which the fair value of an investment is less than its cost.

Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2017 and 2016

5. Critical accounting judgements and key sources of estimation uncertainty (continued)

Depreciation and amortisation
Property, plant and equipment and intangible assets with finite useful lives are depreciated or amortised on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value, if any. Management reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation and amortisation expense to be recorded during any reporting period. The useful lives are based on management's historical experience with similar assets, taking into account anticipated technological changes. The depreciation and amortisation expense for future periods is adjusted if there are significant changes from previous estimates.

Income taxes
The Group is mainly subject to income taxes in the People's Republic of China ("the PRC"). Significant judgement is required in determining the provision for income taxes. 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 audit 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 provisions in the period in which such determination is made.

Impairment of receivables
Management determines impairment of receivables on a regular basis. This estimate is based on the credit history of its customers and current market conditions. Management reassesses the impairment of receivables at each reporting date.

Share-based payments
Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. The Group engaged a firm of independent qualified professional valuers to perform the valuation. In estimating the fair value of share-based payment, it requires determination of the most appropriate inputs to the valuation model including the expected life of the share option or appreciation right, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in note 22.

Determining control over investees
When determining whether the Group has control over an investee, management must examine the individual facts and circumstances surrounding the nature of the Group's interest in an entity and use judgement to classify the investment. The outcome of this judgement will influence the accounting treatment adopted and consequently, may impact the reported profit for the period and the assets and liabilities at the reporting date.

The Group has a contractual interest in a number of structured entities, over which management has determined that the Group has control. Consequently, these structured entities are consolidated within the Group consolidated financial statements.

Further details surrounding the basis for this judgement are set out in note 23.

(Expressed in United States Dollars)

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6. Qualifying transaction

On May 11, 2016, the Company completed its QT as described in note 1.

The Company completed the QT through the acquisition of:

(a) shares of Axion Games Limited ("Axion Games") and Axion Entertainment Holdings Ltd. ("AEH") and Axion Entertainment International Holdings Limited ("AIEH"), (AEH and AIEH being formed for the sole purpose of holding Axion Games shares), pursuant to which the Company acquired an interest of approximately 29.29% of Axion Games; and

(b) an unsecured one year convertible promissory note of Innovega Inc. ("Innovega") in the principal amount of US$350,000.

In exchange for the above equity interest in Axion Games, the Company issued a total of 150,168,774 common shares of the Company to the respective selling shareholders. Prior to completion of the QT, the Company had 7,079,800 common shares issued and outstanding and held by existing shareholders. In addition, concurrently with closing the QT, the Company completed a private placement financing, raising aggregate gross proceeds of CAD1,150,000 through the issuance of 5,750,000 common shares.

As a result of the above share issuances, at closing of the QT, the issued and outstanding shares (on a non-diluted basis) were as follows:

Shares/Shareholders	Number	%
Common shares held by existing shareholders of the Company	7,079,800	4.34%
Common shares held by Axion Games, AEH or Axion Entertainment Intl Holdings Ltd. ("AEIH"), former shareholders upon completion of the share exchange	150,168,692	92.13%
Common shares held by subscribers of the concurrent private placement	5,750,000	3.53%
Total	162,998,492	100.00%

The QT was therefore accomplished through an exchange of shares which resulted in the former shareholders of Axion Games obtaining control of the Company. Accordingly, this transaction was recorded as a reverse acquisition for accounting purposes, as Axion Games was deemed to be the accounting acquirer and Axion Ventures the accounting acquiree. These consolidated financial statements are a continuation of the financial statements of Axion Games, while the capital structure is that of the Company. The consolidated financial statements include the historical operations and assets and liabilities of Axion Games, and those of Axion Ventures since May 11, 2016.

As the shareholders of Axion Games obtained control of the Company, the share exchange has been recognised to reflect the substance of the transaction, which is a capital transaction, rather than a business combination as the Company was only a shell company before the QT and therefore does not constitute as a business. That is, the transaction is a reverse recapitalisation, equivalent to the issuance of shares by the private company (Axion Games) for the net monetary assets of the public shell company (Axion Ventures), accompanied by a recapitalisation. The accounting applied is similar to that resulting from a reverse acquisition, except that no goodwill is recorded.

Notes to the Consolidated Financial Statements
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6. Qualifying transaction (continued)

The assets and liabilities of Axion Games continued to be recognised at their carrying value and at the date of the transaction the assets and liabilities of Axion Ventures were included at fair value. At the date of the transaction the amounts recognised in equity comprise the share capital of Axion Ventures (the legal parent) and the accumulated reserves of Axion Games (the legal subsidiary).

The comparative period financial information presented is that of Axion Games, adjusted to reflect the share capital of Axion Ventures.

Since Axion Ventures was a non-operating shell company the transaction does not meet the definition of a business combination under IFRS 3. As such, the transaction has been accounted for as a share-based payment transaction under IFRS 2, whereby Axion Games is deemed to have issued shares in exchange for the net assets held by Axion Ventures together with the listing status of Axion Ventures.

As the listing status does not qualify for recognition as an intangible asset, an expense representing the excess of the fair value of the shares issued deemed to have been issued to the original shareholders of Axion Ventures over the fair value of the net assets of Axion Ventures was recorded in the profit or loss in 2016 as a listing expense. The listing expense was calculated as follows:

	$’000
Consideration deemed to be transferred by Axion Games in the share exchange	1,102
Less: the fair value of the net assets of Axion Ventures acquired by Axion Games	(70)
Listing expense	1,032

The fair value of the net assets of Axion Ventures acquired was as follows:

	$’000
Available for sales investment	81
Cash and cash equivalents	48
Trade and other receivables	4
Trade and other payables	(63)
Fair value of net assets	70

Notes to the Consolidated Financial Statements
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6. Qualifying transaction (continued)

Transactions with the non-controlling interests
Subsequent to the QT the Company entered into a number of transactions with the non-controlling interests, increasing the number of shares of Axion Games held by Axion Ventures as described below. All of the transactions were recognised directly within equity.

On August 23, 2016, the Company acquired an additional 16.79% beneficial interest in Axion Games by closing eight separate share exchange agreements with the shareholders of Axion Games and AEIH. In exchange/consideration for the 16.79% interest, the Company issued an aggregate of 33,581,358 common shares.

On September 7, 2016, the Company increased its beneficial ownership of Axion Games from 46.08% to 51.01% through its participation in a rights offering by Axion Games to its existing shareholders. Axion Games raised $4,000,000 by way of the rights offering, issuing 44,147,670 preference shares in the process, of which Axion Ventures acquired 30,686,275 preference shares for a purchase price of $2,780,000.

7. Revenue

	2017 $'000	2016 $'000 (Restated)
Outsourcing	3,398	3,118
Licensing	487	403
Game operation	2,444	2,978
Training	334	606
	6,663	7,105

8. Segment information

An operating segment is a component of the Group that is engaged in business activities from which the Group may earn revenue and incur expenses, and is defined on the basis of the internal management reporting information that is provided to and regularly reviewed by the executive directors in order to allocate resources and assess performance of the segment. During the year, executive directors regularly review revenue and operating results derived from outsourcing, licensing, game operation and training consider as one single operating segment. The Company is an investment holding company and the principal place of the Group's operation is in Canada. For the purpose of segment information disclosures under IFRS 8, the Group regarded Canada as its country of domicile.

Notes to the Consolidated Financial Statements
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8. Segment information (continued)

The Group's revenue from external customers and information about its non-currents assets by geographical location are detailed below.

	2017 $'000	2016 $'000 (Restated)
By country/region		
China	5,025	5,511
Rest of the world	1,638	1,594
Total revenue	6,663	7,105
Canada (Place of domicile)	314	371
China	7,352	4,731
Rest of the world	2,560	-
Non-current assets	10,226	5,102

9. Expenses by nature

	2017 $'000	2016 $'000 (Restated)
Amortisation of intangible assets^	54	135
Depreciation of property, plant and equipment*	98	117
Loss on disposal of intangible assets	86	-
Research and development:		
- Capitalised (note 14)	3,100	2,640
- Expensed	1,625	2,384
	4,725	5,024
Employee benefits expenses (note 10)	11,084	10,271
Operating lease expense – land and buildings	910	454
Write off of trade receivables	266	602
Provision for impairment of available-for-sale investments	387	-

^ Amortisation expenses of $32,000 (2016: $65,000), $5,000 (2016: $10,000), $10,000 (2016: $55,000) and $7,000 (2016: $5,000) have been included in cost of sales, research and development expenses, general and administrative expenses and capitalisation of intangible assets respectively.

* Depreciation expenses of $29,000 (2016: $18,000), $7,000 (2016: $33,000), $53,000 (2016: $47,000) and $9,000 (2016: $19,000) have been included in cost of sales, research and development expenses, general and administrative expenses and capitalisation of intangible assets respectively.

Notes to the Consolidated Financial Statements
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10. Employee benefits expenses

	2017 $'000	2016 $'000 (Restated)
Employee benefits expenses (including directors) comprise:		
Wages and salaries	8,723	7,823
Social welfare costs	1,545	2,042
Share-based payment expenses	723	287
Other benefits	93	119
	11,084	10,271

Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, including the directors of the Company listed on page 1, and the officer of the Company.

	2017 $'000	2016 $'000 (Restated)
Wages and salaries	604	47
Social welfare costs	1	3
Share-based payment expenses	714	99
Other benefits	-	27
	1,319	176

11. Finance income and expense

	2017 $'000	2016 $'000 (Restated)
Finance income		
Interest received on bank deposits	20	25
Finance expense		
Interest expenses on borrowing	(55)	(13)
Net finance (expense)/income recognised in profit or loss	(35)	12

Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2017 and 2016

12. Income tax expenses

The tax charge on loss comprises:

	2017 $'000	2016 $'000 (Restated)
Current tax		
PRC enterprise income tax		
- Under-provision in respect of prior years	-	13
Income tax expense	-	13

The income tax expense for the year can be reconciled to the loss before income tax expense in the consolidated statements of comprehensive income as follows:

	2017 $'000	2016 $'000 (Restated)
Loss before income tax	(7,749)	(6,280)
Tax on loss before income tax expense, calculated at the rates applicable to loss in the tax jurisdictions concerned	(1,850)	(1,570)
Tax effect of non-deductible expenses	1,682	737
Tax effect of non-taxable income	(853)	(411)
Tax effect of unused tax losses not recognised	1,226	1,244
Utilisation of tax loss previously not recognised	(205)	-
Under-provision in respect of prior years	-	13
Income tax expense	-	13

Taxation on profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group's entities operate.

Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2017 and 2016

12. Income tax expenses (continued)

Canada income tax
The parent entity, Axion Ventures Inc. had no taxable income for the years ended December 31, 2017 and 2016, and thus there is no resulting tax provision for current income taxes.

Cayman Islands income tax
The subsidiary incorporated in the Cayman Islands is an exempted company with limited liability under the Company Law of the Cayman Islands and, accordingly, is exempted from Cayman Islands income tax.

British Virgin Islands ("BVI") income tax
The subsidiaries incorporated in the BVI with limited liability under the BVI Business Companies Act are exempted from BVI income tax.

Hong Kong Profits Tax
The Hong Kong Profits Tax rate is 16.5% (2016: 16.5%). Hong Kong Profits Tax has not been provided, as the relevant subsidiaries had no estimated assessable profits in Hong Kong for the years ended December 31, 2017 and 2016.

The PRC enterprise income tax
Pursuant to the relevant laws and regulations in the PRC, the PRC subsidiaries are subject to PRC enterprise income tax of 25% (2016: 25%).

According to relevant laws and regulations in the PRC, enterprises engaging in research and development activities are entitled to claim 150% of the research and development expenses so incurred as tax-deductible expenses when determining their assessable profits for that year ("Super Deduction"). Axion Games has claimed Super Deductions for the years ended December 31, 2017 and 2016.

Thailand income tax
A Thai company generally pays tax at 20% of net profit. However, small business, paid-up capital less than 5 million Baht, is entitled to a rate reduction. If the subsidiary has net profit more than 1 million Baht, the corporate income tax is 20%. If the subsidiary has a net profit of 300 thousand Baht and 1 million Baht, the corporate income tax is 15%. Exempt for the incorporate income tax if net profit less than 300 thousand Baht.

Tax losses carried forward
The Company had the following unutilised tax losses carried forward at the reporting date:

	2017 **$'000**	**2016** **$'000** **(Restated)**
Axion Ventures Inc.	4,707	1,693
Axion Games	2,520	3,232
Axia Corporation Limited ("Axia")	951	-
Unutilised tax losses	8,178	4,925

The unutilised tax losses have expiry dates of between 1 – 20 years.

Deferred tax assets have not been recognised, because management considers it is not probable that future taxable profits will be available against which the Group's entities can utilise the benefits therefrom.

Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2017 and 2016

13. Loss per share

The calculation of basic and diluted loss per share is based on the following data:

	2017 $'000	2016 $'000 (Restated)
Numerator		
Loss for the year attributable to owners of the Company used in basic and diluted loss per share	(6,390)	(4,114)

	Number of shares	
	2017	2016
Denominator	'000	'000
Weighted average number of ordinary shares used for the purpose of basic and diluted loss per share	153,008	415,289

Shares held in escrow are not included in the calculation of loss per share, as they are recallable.

The Company has a number of share options and warrants in issue which have not been included in the diluted loss per share calculation, due to their anti-dilutive effect.

For the years ended December 2017 and 2016, the diluted loss per share was the same as the basic loss per share as the assumed utilisation of the share option and warrants would have an anti-dilutive effect on the basic loss per share.

Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2017 and 2016

14. Intangible assets

	Acquired computer software $'000	Internally generated computer software $'000	Total $'000
At January 1, 2016 as restated			
Cost	484	5,380	5,864
Accumulated amortisation	(298)	(3,522)	(3,820)
Carrying amount	186	1,858	2,044
Year ended December 31, 2016			
Opening carrying amount	186	1,858	2,044
Exchange differences	(17)	-	(17)
Additions	98	2,640	2,738
Amortisation	(135)	-	(135)
Disposal	(250)	-	(250)
Eliminated on disposal	250	-	250
	132	4,498	4,630
At December 31, 2016 and January 1, 2017 as restated			
Cost	317	8,020	8,337
Accumulated depreciation	(185)	(3,522)	(3,707)
Carrying amount	132	4,498	4,630
Year ended December 31, 2017			
Opening carrying amount	132	4,498	4,630
Exchange differences	10	-	10
Additions	65	3,100	3,165
Amortisation	(54)	-	(54)
Disposal	(154)	-	(154)
Eliminated on disposal	68	-	68
	67	7,598	7,665
At December 31, 2017			
Cost	256	11,120	11,376
Accumulated amortisation	(189)	(3,522)	(3,711)
Carrying amount	67	7,598	7,665

Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2017 and 2016

15. Property, plant and equipment

	Computer and office equipment $'000	Office furniture $'000	Leasehold improvements $'000	Total $'000
At January 1, 2016 as restated				
Cost	586	43	130	759
Accumulated depreciation	(468)	(34)	(77)	(579)
Net book amount	118	9	53	180
Year ended December 31, 2016				
Opening net book amount	118	9	53	180
Additions	47	13	-	60
Depreciation	(69)	(2)	(46)	(117)
Exchange difference	(11)	(1)	-	(12)
Closing net book amount	85	19	7	111
At December 31, 2016 and January 1, 2017 as restated				
Cost	215	44	15	274
Accumulated depreciation	(130)	(25)	(8)	(163)
Net book amount	85	19	7	111
Year ended December 31, 2017				
Opening net book amount	85	19	7	111
Additions	219	164	322	705
Depreciation	(65)	(16)	(17)	(98)
Exchange difference	8	6	11	25
Closing net book amount	247	173	323	743
At December 31, 2017				
Cost	355	210	349	914
Accumulated depreciation	(108)	(37)	(26)	(171)
Net book amount	247	173	323	743

Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2017 and 2016

16. Available-for-sale investments

	2017 $'000	2016 $'000 (Restated)
Unlisted equity investments, net of impairment:		
Innovega Inc.	-	361
Red Anchor Trading Corp.	1,521	-
	1,521	361
Impairment loss		
January 1	-	-
Impairment loss recognised in profit or loss	387	-
December 31	387	-
Carrying amount, net	1,521	361

All available-for-sale investments are denominated in $.

Investment in Innovega
Innovega's Note (the "Note") was converted on October 19, 2016, the Maturity Date, based upon the "Automatic Conversion upon Maturity" calculation terms of the Note. The Note and accrued interest were converted into 216,195 of newly-issued preference shares, representing 1.54% of the outstanding shares of Innovega on a fully diluted basis as of December 31, 2017 and 2016. Innovega is a technology company that develops a display technology based on eyewear and contact lenses. The investment in the preference shares of Innovega represents a 1.87% holding (undiluted basis) in Innovega.

Investment in Red Anchor Trading Corporation.
On October 26, 2016, the Company entered into an investment agreement with Red Anchor Trading Corp. ("Red Anchor"), a company engaged in the business of developing an application known as "HotNow", which is a marketing automation platform for retailers to offer various promotions. The parties completed the transaction on April 4, 2017 and received final TSX-V approval on April 7, 2017, whereby, in consideration for the $1.5 million investment, Red Anchor issued 9,375 ordinary shares of Red Anchor to the Company at $160 per share, representing 15% of the post-closing issued and outstanding voting shares of Red Anchor on a fully-diluted basis.

In connection with the investment, the Company received: (i) participation rights in any future security offering of Red Anchor that will allow it to maintain its proportionate interest in Red Anchor; (ii) tag-along rights in the event of certain share transfers; (iii) information rights to monthly management reports and financial statements of Red Anchor; (iv) inspection rights; and (v) for so long as the Company holds at least 5% of the outstanding shares of Red Anchor, the right to appoint at least one non-executive director to the Red Anchor board of directors.

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For the Years Ended December 31, 2017 and 2016

17. Trade and other receivables

	December 31, 2017 $'000	December 31, 2016 $'000 (Restated)	January 1, 2016 $'000 (Restated)
Trade receivables	619	614	3,576
Less: provision for impairment of trade receivables	-	-	-
Trade receivables - net	619	614	3,576
Loan to a related company (note)	297	-	-
	916	614	3,576
Deposits	263	152	176
Prepaid expenses	242	490	180
Other receivables	140	14	162
Advances to employees	23	23	455
Total trade and other receivables	1,584	1,293	4,549
Less: Non-current portion – Loan to a related company	(297)	-	-
Current portion	1,287	1,293	4,549

Management considers that the fair values of trade and other receivables are not materially different from their carrying amounts because these balances have short maturity periods at inception.

note:
Loan to a related party represented a loan advanced to Red Anchor (Thailand) Co., Ltd., a limited company organised and existing under Thai law in Thailand. The balance due is unsecured, interest-bearing at 6% per annum and repayable in year 2020.

The ageing analysis of the Group's trade receivables from third parties that were past due as at reporting date but not impaired, based on due date, is as follows:

	December 31, 2017 $'000	December 31, 2016 $'000 (Restated)	January 1, 2016 $'000 (Restated)
0 – 90 days	76	235	2,293
91 – 180 days	13	28	1,769
181 – 360 days	-	-	-
361 – 540 days	32	86	-
Over 540 days	-	35	210
	121	384	4,272

Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2017 and 2016

17. Trade and other receivables (continued)

As at December 31, 2017 and 2016, trade receivables that were neither past due nor impaired related to a number of distribution channels nor payment vendors, for whom there was no recent history of default that had a good track record of credit with the Company.

The Company does not hold any collateral in respect of trade receivables past due but not impaired.

18. Cash and cash equivalents

	December 31, 2017 $'000	December 31, 2016 $'000 (Restated)	January 1, 2016 $'000 (Restated)
Cash at banks	3,639	4,513	2,146
Short-term bank deposits	60	2,653	-
	3,699	7,166	2,146

Management considered that the fair value of the short-term bank deposits was not materially different from their carrying amount because of the short maturity period at inception.

19. Trade and other payables

	December 31, 2017 $'000	December 31, 2016 $'000 (Restated)	January 1, 2016 $'000 (Restated)
Trade payables	451	825	767
Accrued salaries and benefits	1,638	1,953	1,746
Other tax liabilities	813	993	979
Advance from customers	1,203	313	-
Accrued expenses	227	284	572
Other payables	884	152	299
	5,216	4,520	4,363

All amounts are short-term and hence the carrying values of the Company's trade and other payables are considered to be a reasonable approximation of their fair values.

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20. Share capital

	Number of shares	Amount $'000
At January 1, 2016 as restated (note i)	150,168,692	22,960
Reverse re-capitalisation (note i)	7,079,800	12,623
Reverse re-capitalisation (note i)	-	
Issue of share capital – concurrent financing (note ii)	5,750,000	879
Issue of share capital – transaction with the non-controlling interest (Note iii)	33,581,358	12,797
Issue of share capital – private placement (note iv)	20,242,600	7,785
Issue of share capital – exercise of share options (note v)	150,000	46
	216,972,450	57,090
Less: Issuance cost	-	(522)
At December 31, 2016 and January 1, 2017 as restated	216,972,450	56,568
Issue of share capital – True private placement (note vi)	20,000,000	7,634
Issue of share capital – exercise of warrants (note vii)	20,000	2
Issue of share capital – exercise of warrants (note viii)	130,000	20
	237,122,450	64,224
Less: Issuance cost	-	(485)
At December 31, 2017	237,122,450	63,739

Authorised share capital
At December 31, 2017, the authorised share capital consisted of an unlimited number of common shares without par value and an unlimited number of preferred shares without par value.

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20. Share capital (continued)

Issued and outstanding

(i) On May 11, 2016 the Company issued 117,168,692 common shares of the Company to acquire an ownership interest of 29.29% of the outstanding common shares of Axion Games.

On May 11, 2016 the Company issued 33,000,000 common shares to certain Axion Games shareholders to be held in escrow. These shares are contingently recallable in the loss per share calculation.

(ii) On May 11, 2016 the Company completed a financing concurrent ("the Concurrent Financing") which raised CAD1,150,000 through the issuance of 5,750,000 common shares of the Company at a price of CAD0.20 per share. CAD500,000 of the Concurrent Financing was completed by an Agent for which the Agent received a commission of 6% of the gross proceeds raised by the Agent and 2% of the remaining proceeds which totalled CAD43,000. The Agent also received 150,000 share purchase warrants exercisable at CAD0.20 for a period of 12 months following the closing of financing. In addition, the Agent received a corporate finance fee of CAD35,000. The Company also paid CAD10,000 (4%) in finders' fees on a portion of the CAD650,000 not raised by the Agent.

(iii) On August 23, 2016, the Company issued 33,581,358 common shares of the Company to acquire additional ownership interest of 16.79% of the outstanding common shares of Axion Games.

(iv) On August 29, 2016, the Company raised gross proceeds of CAD10,121,000 through new common share issuances conducted through CAD4,121,000 of brokered and CAD6,000,000 of non-brokered private placements of shares. A total of 20,242,600 common shares were issued at a price of CAD0.50 per share. Commissions of 6% totalling CAD247,000 were paid to the agent for the brokered portion of the private placement. No commission was paid on the non-brokered portion. All shares issued in the private placement are subject to a holding period that expired on December 30, 2016.

(v) On September 2, 2016, the Company issued 75,000 common shares on the exercise of stock options. On December 30, 2016 the Company issued 75,000 common shares on the exercise of stock options.

(vi) On January 18, 2017, the Company issued 20,000,000 common shares under private placement.

(vii) On April 3, 2017, the Company issued 20,000 common shares on the exercise of warrants.

(viii) On May 11, 2017, the Company issued 130,000 common shares on the exercise of warrants.

At December 31, 2017, there were 237,122,450 common shares of the Company issued and outstanding. Of this amount, 38,862,043 (out of 216,972,450 as of December 31, 2016) common shares were issued but subject to future release under escrow agreements as of December 31, 2017, as described below.

Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2017 and 2016

20. Share capital (Continued)

Escrow Shares

TSXV CPC Escrow: Prior to completion of the QT, the Company had 1,415,000 shares held pursuant to a TSXV CPC escrow agreement. Pursuant to the CPC escrow agreement, 25% were releasable at the QT TSXV final exchange bulletin on May 17, 2016, 25% 6 months from TSXV bulletin, 25% 12 months from TSXV bulletin and 25% 18 months from Exchange bulletin.

TSXV Surplus Escrow: Pursuant to the QT, 53,684,753 of the 150,168,692 common shares of the Company issued to shareholders of Axion, AEH and AEIH were deposited directly into TSXV Surplus escrow. Pursuant to the Surplus escrow agreement, 10% were releasable at the QT TSXV final exchange bulletin (released), 20% 6 months from TSXV bulletin (released), 30% 12 months from TSXV bulletin and 40% 18 months from Exchange bulletin.

TSXV Value Escrow: Pursuant to the QT, 41,634,797 of the 150,168,692 common shares of the Company issued to shareholders of Axion, AEH and AEIH were deposited directly into TSXV Value escrow. Pursuant to the Value escrow agreement, 25% were releasable at the QT TSXV final exchange bulletin (released), 25% 6 months from TSXV bulletin (released), 25% 12 months from TSXV bulletin and 25% 18 months from Exchange bulletin.

Performance Escrow: Pursuant to the QT, 33,000,000 of the 150,168,692 common shares of the Company issued to shareholders of Axion, AEH and AEIH were held pursuant to a performance escrow agreement subject to the following performance targets being attained by Axion Games within three years:

A. Axion Games generating EBITDA (earnings before interest, taxes, depreciation and amortization) in excess of US$6,000,000 in any audited fiscal year ending 31 December 2016, 2017 or 2018; or

B. Axion Games generating game pre-sales in excess of US$10,000,000 in any audited fiscal year ending 31 December 2016, 2017 or 2018.

The performance escrow shares do not carry voting rights until released from escrow and none of the performance escrowed shares have been released from escrow as of the date hereof. In addition, 29,909,520 of 33,000,000 shares are also held pursuant to either TSXV Surplus or TSXV Value escrow. Therefore, if the performance targets are met and the shares released, 29,909,520 shall be deposited into the applicable TSXV escrow with the Company's transfer agent and released accordingly.

Voluntary Pooling/Escrow: All 33,581,358 common shares of the Company issued to shareholders as part of the share exchanges dated August 23, 2016 are subject to voluntary escrow/pooling agreements. Pursuant to the escrow/pooling agreements, 23,448,169 of the 33,581,358 Axion Ventures shares were released as follows: 25% on closing; and 25% released 6, 12, and 18 months thereafter. The other 10,133,189 of the 33,581,358 Axion Ventures shares will be released in one tranche on February 23, 2018.

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Notes to the Consolidated Financial Statements
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20. Share capital (Continued)

As a result of the foregoing, the remaining escrow shares were not released as at December 31, 2017 and 2016 as follows:

	December 31, 2017	December 31, 2016
Shares held subject to CPC escrow agreement	-	707,500
Shares held subject to performance escrow agreement	33,000,000	33,000,000
Shares held subject to surplus escrow agreement	-	37,579,327
Shares held subject to value escrow agreement	-	20,817,399
Shares held subject to pooling agreement	5,862,043	27,719,316
	38,862,043	119,823,541

21. Reserves

The following describes the nature and purpose of each reserve within equity:

(a) *Foreign currency translation reserve*
This reserve represents the cumulative gains and losses on the translation of the Group's net investment in its foreign operations.

(b) *Share-based payment reserve*
This reserve represents the cumulative share-based payment expense for issued share-options that are unvested or unexercised at the reporting date.

(c) *Other reserve*
This reserve has arisen on the acquisition of Axion Games as a result of the completion of QT.

(d) *Accumulated losses*
This reserve represents the cumulative profits and losses and gains and losses recognised in the consolidated statement of comprehensive income, together with any transfers from other reserve.

Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2017 and 2016

22. Share-based payment transactions

The Company has established a stock option plan for its directors, officers and technical consultants under which the Company may grant options from time to time to acquire a maximum number of common shares being 10% of the total number of issued common shares of the Company (calculated on a non-diluted basis) at the time an option is granted. The number of optioned shares granted under the plan cannot exceed the number of plan shares. The exercise price of each option granted under the plan shall be determined by the board of directors. Options may be granted for a maximum term of ten years from the date of the grant, are non-transferable, and expire within 90 days of termination of employment or holding office as director or officers of the Company and, in the case of death, expire within one year thereafter. Upon death, the options may be exercised by legal representation or designated beneficiaries of the holder of the option. Unless otherwise stated, the options fully vested when granted.

Axion Games has two share option schemes which were adopted on August 1, 2006 and August 1, 2011 whereby the directors of Axion Games are authorised, at their discretion, to invite employees of the Group, including directors of any company in the Group, to take up options at certain consideration to subscribe for shares of Axion Games. Both share option schemes shall be valid and effective for a period of 10 years commencing from the date of adoption.

The Option shall vest

- in the event that Axion Games is listed on any major stock exchange (the "IPO") within five years of the date of grant, the option shall vest in installments. The first installment shall vest on the date 6 months after the IPO ("Date of First Vesting") and shall comprise a portion of the option calculated as follows: The total number of full year(s) of grantees service with the Group from the date of grant to the Date of First Vesting rounded down to the nearest integer divided by 5 and multiplied by the option shares. Thereafter, further vesting shall fall on the following anniversary of date of grant after the Date of First Vesting and each installment shall comprise 20% of the option shares until all option shares are vested by the end of the fifth anniversary of the date of grant; or

- in the event that Axion Games is not listed on any major stock exchange during the first five years upon the Date of Grant, the option shall entirely (100%) vest on the fifth anniversary of the date of grant.

Each option gives the holder the right to subscribe for one ordinary share in Axion Games.

(Expressed in United States Dollars)

Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2017 and 2016

22. Share-based payment transactions (Continued)

Company stock option transactions and the number of stock options outstanding are summarised as follows:

	Number	**Weighted Average Exercise Price CAD**
At January 1, 2016	3,217,349	0.61
Granted	14,500,000	0.49
Lapsed/Forfeited	(444,671)	0.48
Exercised	(150,000)	0.25
At December 31, 2016 as restated	17,122,678	0.36
Lapsed	(680,000)	0.49
At December 31, 2017	16,442,678	0.49
Exercisable at December 31, 2017	7,111,011	0.57
Exercisable at December 31, 2016	3,614,678	0.39

During the year ended December 31, 2016, 14,500,000 share options were granted, an amortisation of share option over the vesting period of $287,000 was recognised in the profit or loss. In addition, 444,671 share options were lapsed/forfeited as a result of the termination of employment with grantees.

(Expressed in United States Dollars)

Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2017 and 2016

22. Share-based payment transactions (continued)

During the year ended December 31, 2017, 680,000 share options were lapsed/ forfeited as a result of the termination of employment with grantees. In addition, an amortisation of share option over the vesting period of $723,000 was recognised in the profit or loss.

The share options outstanding at the end of the year had a weighted average remaining contractual life of 4 years (2016: 5 years).

Fair value of share options granted during the year ended December 31, 2016
The fair value of the share options granted is approximately $3,248,000 in aggregate, was calculated as of the date of grant using the Binominal model, using the following weighted average assumptions:

	May 11, 2016	June 6, 2016	December 30, 2016
Exercise price	CAD0.25	CAD0.45	CAD0.50
Expected volatility	62.76%	63.16%	50.79%
Expected life of option	5 years	5 years	5 years
Dividend yield	0%	0%	0%
Risk-free rate	0.68%	0.65%	1.11%

At December 31, 2017, the weighted average remaining contractual life of the outstanding stock options of the Company was from 1 - 4 years.

Share purchase warrants
Share purchase warrant transactions are summarised as follows:

	Number of Shares	Weighted Average Exercise Price CAD
Balance at January 1, 2016	-	-
Granted	1,150,000	0.24
At December 31, 2016	1,150,000	0.24
Exercised	(150,000)	0.20
Exercisable at December 31, 2017	1,000,000	0.25

At December 31, 2017 and 2016, all warrants are exercisable.

Agent's warrants
On April 3, 2017, the Company issued an aggregate of 20,000 shares as a result of the partial exercise of outstanding financing agent's warrants issued at the closing of the QT.

On May 11, 2017, the Company issued an aggregate of 130,000 shares as a result of the remaining exercise of outstanding financing agent's warrants issued at the closing of the QT. As a result, as of December 31, 2017, there were 1,000,000, warrants outstanding.

(Expressed in United States Dollars)

Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2017 and 2016

22. Share-based payment transactions (continued)

Finder's warrants
The Company issued 1,150,000 share purchase warrants ("*finder's warrants*",) with an exercise price of $0.25, as a finder's fee for the investment in Axion Games on May 11, 2016. Each finder's warrant is exercisable into one common share of the Company and will expire two years from the date of issuance. The fair value of the finder's warrants was calculated to be $102,000 by using the Binominal model.

The weighted average fair value of warrants issued during the year ended December 31, 2016, of CAD0.10 per warrant, was calculated as of the grant date by using the Binominal model using the following assumptions:

	Finder's warrants May 11, 2016	**Agent's warrants May 11, 2016**
Exercise price	CAD0.25	CAD0.20
Expected volatility	62,76%	62.76%
Expected life of option	2 years	1 year
Dividend yield	0%	0%
Risk-free rate	0.54%	0.54%

(Expressed in United States Dollars)

Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2017 and 2016

23. Investments in subsidiaries

Name	Place of incorporation	Place of operations	Percentage of nominal value of issued and paid up capital held by the Company Directly	Indirectly	Principal activities
Axia**	Hong Kong	Hong Kong	-	100	Provision of game designing
Axia Corporation (Thailand) Co., Ltd. **	Thailand	Thailand		70	Investment holding
Axia Technologies Pte Ltd. **	Singapore	Singapore	-	70	Investment holding
AEIH	British Virgin Islands (the "BVI")	The PRC	65	-	Investment holding
AEH	The BVI	The PRC	54	-	Investment holding
Axion Interactive Inc. **	The BVI	Thailand	100	-	Investment holding
Axion Ventures (BKK) Co., Ltd. **	Thailand	Thailand	50	49	Investment holding
True Axion Interactive Ltd ("TAI") **	Thailand	Thailand	-	49	Provision of game development and training classes of game design
Axion Games	Cayman Islands	The PRC	26	25	Investment holding
Digital Arts Academy International Group Ltd.	The BVI	The PRC	-	36	Investment holding
EGC Holdings Ltd.	The BVI	The PRC	-	51	Investment holding
Mega Marble International Limited	The BVI	The PRC	-	51	Provision of game development, game design and licensing of published games and software
Mocool Limited	Hong Kong	Hong Kong	-	51	Provision of licensing services

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Notes to the Consolidated Financial Statements
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23. Investments in subsidiaries (Continued)

Name	Place of incorporation	Place of operations	Percentage of nominal value of issued and paid up capital held by the Company Directly	Indirectly	Principal activities
Shanghai Ying Pei Digital Technology Co., Ltd.	The PRC	The PRC	-	51	Provision of game development
Shanghai Ying Pei Software Co., Ltd. ("YP") *	The PRC	The PRC	-	51	Provision of licensing of published games and software
Shanghai Zhenyou Network Technology Limited *	The PRC	The PRC	-	51	Provision of game operation
Taozhi Digital Technology (Shanghai) Co., Ltd	The PRC	The PRC	-	51	Provision of training classes of game design
Ying Pei Digital Technology (Shanghai) Co., Ltd.	The PRC	The PRC	-	51	Provision of game development, game design and licensing of published games and software
Ying Pei Digital Technology (Suzhou) Co., Ltd.	The PRC	The PRC	-	51	Provision of game development

** Newly established or incorporated subsidiaries

* These interests represent contractual, rather than equity interests, in structured entities, over which management have determined that the Company has control. Further details in respect of these contractual interests are set out in below.

Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2017 and 2016

23. Investments in subsidiaries (continued)

Structured entities
The subsidiary, Ying Pei Digital Technology (Shanghai) Co., Ltd., has entered into Contractual Arrangements with Shanghai Zhenyou Network Technology Ltd., YP and their respective equity holders, which enable Ying Pei Digital Technology (Shanghai) Co., Ltd. and the Group to:

- exercise effective financial and operational control over Shanghai Zhenyou Network Technology Ltd. and YP;

- exercise equity holders' voting rights of Shanghai Zhenyou Network Technology Ltd. and YP;

- receive substantially all of the economic interest returns generated by Shanghai Zhenyou Network Technology Ltd. and YP in consideration for the exclusive consulting services provided by Ying Pei Digital Technology (Shanghai) Co., Ltd., at the discretion of Ying Pei Digital Technology (Shanghai) Co., Ltd.. The consideration of the consulting services payable by Shanghai Zhenyou Network Technology Ltd. and YP to Ying Pei Digital Technology (Shanghai) Co., Ltd. under the agreement shall be calculated on a quarterly basis, taking into account the costs and expenses incurred by Ying Pei Digital Technology (Shanghai) Co., Ltd. and the operation performance of Shanghai Zhenyou Network Technology Ltd. and YP. Upon request by Ying Pei Digital Technology (Shanghai) Co., Ltd., up to 100% of the net income of Shanghai Zhenyou Network Technology Ltd. and YP shall be paid as the consideration of the services to Ying Pei Digital Technology (Shanghai) Co., Ltd., and shall be payable on a quarterly or an annual basis;

- obtain an irrevocable and exclusive right to purchase all or part of equity interest in and/or assets of Shanghai Zhenyou Network Technology Ltd. and YP from the respective equity holders at a minimum purchase price permitted under the PRC laws and regulations. Ying Pei Digital Technology (Shanghai) Co., Ltd. may exercise such options at any time until it has acquired all equity interests and/or all assets of Shanghai Zhenyou Network Technology Ltd. and YP; and

- obtain a pledge over the entire equity interest of Shanghai Zhenyou Network Technology Ltd. and YP from their respective equity holders as collateral security for all of payments of Shanghai Zhenyou Network Technology Ltd. and YP due to Ying Pei Digital Technology Shanghai Co., Ltd. and to secure performance of the obligations of Shanghai Zhenyou Network Technology Ltd. and YP under the Contractual Arrangements.

The Group does not have any equity interest in Shanghai Zhenyou Network Technology Ltd. and YP. However, as a result of the Contractual Arrangements, the Group has rights to variable returns from its involvement with Shanghai Zhenyou Network Technology Ltd. and YP and has the ability to affect those returns through its power over Shanghai Zhenyou Network Technology Ltd. and YP and is considered to control Shanghai Zhenyou Network Technology Ltd. and YP. Consequently, the Group regards Shanghai Zhenyou Network Technology Ltd. and YP as indirect subsidiaries under IFRSs. The Group has consolidated the financial position and financial performance of Shanghai Zhenyou Network Technology Ltd. and YP in the consolidated financial statements during the years.

Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2017 and 2016

23. Investments in subsidiaries (continued)

Nevertheless, the Contractual Arrangements may not be as effective as direct legal ownership in providing the Group with direct control over Shanghai Zhenyou Network Technology Ltd. and YP and uncertainties presented by the PRC legal system could impede the Group's beneficiary rights of the results, assets and liabilities of Shanghai Zhenyou Network Technology Ltd. and YP. The directors of the Company, based on the advice of its legal counsel, consider that the Contractual Arrangements among Ying Pei Digital Technology (Shanghai) Co., Ltd., Shanghai Zhenyou Network Technology Ltd., YP and their respective equity holders are in compliance with relevant PRC laws and regulations and are legally enforceable. However, uncertainties in the PRC legal system could limit the Group's ability to enforce the contractual arrangements. If the legal structure and contractual arrangements were found to be in violation of PRC laws and regulations, the PRC government could:

- Revoke the business and operating licenses of Shanghai Zhenyou Network Technology Ltd. and YP;

- Discontinue or restrict the operations of any related-party transactions among Shanghai Zhenyou Network Technology Ltd. and YP;

- Impose fines or other requirements on Shanghai Zhenyou Network Technology Ltd. and YP;

- Require the Group or Shanghai Zhenyou Network Technology Ltd. and YP to revise the relevant ownership structure or restructure operations; and/or

- Restrict or prohibit the Group's use of the proceeds of the additional public offering to finance the Group's business and operations in the PRC.

The Group's ability to conduct its business may be negatively affected if the PRC government were to carry out any of the aforementioned actions. As a result, the Group may not be able to consolidate Shanghai Zhenyou Network Technology Ltd. and YP in its consolidated financial statements as it may lose the ability to exert effective control over Shanghai Zhenyou Network Technology Ltd. and YP and it may lose the ability to receive economic benefits from Shanghai Zhenyou Network Technology Ltd. and YP.

Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2017 and 2016

24. Non-controlling Interests

Axion Games, a 51% owned subsidiary of the Company, has material non-controlling interests ("NCI"). The NCI of all other subsidiaries, that are not 100% owned by the Group, are considered to be immaterial.

The following tables list out the information related to the subgroup of Axion Games, the subsidiary of the Group which has material non-controlling interests:

	2017 $'000	2016 $'000 (Restated)
Year ended December 31		
Revenue	6,650	7,104
Cost of sales	(2,950)	(3,869)
Gross profit	3,700	3,235
Research and development expenses	(1,625)	(2,384)
Selling and distribution expenses	(1,115)	(1,509)
General and administrative expenses	(2,529)	(3,437)
	(1,569)	(4,095)
Other income/(loss)	67	(30)
Loss before income tax	(1,502)	(4,125)
Income tax expense	-	(13)
Loss for the year	(1,502)	(4,138)
Loss allocated to NCI	(763)	(2,179)
Total comprehensive income allocated to NCI	(740)	(2,183)
As at December 31		
Current assets	982	3,916
Non-current assets	7,352	4,731
Current liabilities	(7,939)	(6,705)
Net assets	395	1,942
Accumulated non-controlling interests	251	1,015
Year ended December 31		
Cash inflows from operating activities	570	(505)
Cash inflows from investing activities	(2,757)	(2,270)
Cash inflows from financing activities	3,128	4,008
Net cash inflows	941	1,233

Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2017 and 2016

25. Related party transactions

The Company entered into the following related party transactions during the years.

Income in the years:

	2017 $'000	2016 $'000 (Restated)
Outsourcing services fee received from Epic Games International Ltd., a shareholder of the Axion Games	589	354

Expenses in the years:

	2017 $'000	2016 $'000 (Restated)
Licensing fee – Epic Games International Ltd., a shareholder of the Axion Games	35	57

Key management personnel comprise the directors and the officer of the Company. Their aggregate remuneration comprised:

	2017 $'000	2016 $'000 (Restated)
Wages and salaries	604	47
Social welfare costs	1	3
Share-based payments expenses	714	99
Other benefits	-	27
	1,319	176

Receivables:

	December 31, 2017 $'000	December 31, 2016 $'000 (Restated)	January 1, 2016 $'000 (Restated)
Red Anchor (Thailand) Co., Ltd.	297	-	-
Epic Games, Inc.	130	38	14
Coherent Asia, Limited	15	-	-
Axion Entertainment Holding Ltd	-	-	138
	442	38	152

Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2017 and 2016

25. Related party transactions (continued)

Payables:

	December 31, 2017 $'000	December 31, 2016 $'000 (Restated)	January 1, 2016 $'000 (Restated)
Epic Games, Inc.	224	589	532
Shareholder of Axion Entertainment Holdings Ltd.	559	-	-
Shareholder of Axion Games	4	4	4
Coherent Asia, Limited	83	-	-
	870	593	536

26. Operating leases

The Group as a lessee

The Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases as at the reporting date as follows:

	Land and buildings		
	December 31, 2017 $'000	December 31, 2016 $'000 (Restated)	January 1, 2016 $'000 (Restated)
Not later than one year	1,075	882	444
Later than one year and not later than five years	709	1,219	-
Total future minimum lease payments	1,784	2,101	444

The Group leases a number of properties under operating leases. The leases run for an initial period of one to five years, with an option to renew the lease and renegotiate the terms at the expiry date or at dates as mutually agreed between the Group and respective landlords/lessors. None of the leases include contingent rentals.

27. Notes supporting consolidated statement of cash flows

Cash and cash equivalents comprise:

	December 31, 2017 $'000	December 31, 2016 $'000 (Restated)	January 1, 2016 $'000 (Restated)
Cash available on demand	3,699	7,166	2,146

Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2017 and 2016

28. Financial instruments

As at December 31, 2017 and 2016, the Company's financial instruments comprise available-for-sale investments, cash and cash equivalents, trade and other receivables, and trade and other payables.

Financial instruments by category

	December 31, 2017 $'000	December 31, 2016 $'000 (Restated)	January 1, 2016 $'000 (Restated)
Financial assets			
Available-for-sale investments			
Equity investments	1,521	361	-
Loans and receivables:			
Cash and cash equivalents	3,699	7,166	2,146
Trade and other receivables	1,044	803	4,369
	4,743	7,969	6,515
Total financial assets	6,264	8,330	6,515
Total financial assets			
Financial liabilities at amortised cost			
Trade and other payables	3,200	3,214	3,384
Total financial liabilities	3,200	3,214	3,384

Financial instruments not measured at fair value

Financial instruments not measured at fair value includes cash and cash equivalents, trade and other receivables, and trade and other payables.

The carrying values of these financial instruments approximate their fair values because of their current nature.

Financial instruments and related risks

The board of directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's exposures to financial risks and how the Company manages those risks are set out below.

Liquidity risk

Liquidity risk relates to the risk that the Company will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company is exposed to liquidity risk in respect of the settlement of trade and other payables, and also in respect of its cash flow management. The Company's objective is to maintain an appropriate level of liquid assets and committed lines of funding to meet its liquidity requirements in the short and longer term.

Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2017 and 2016

28. Financial instruments (Continued)

The Company manages its liquidity needs by carefully monitoring forecast cash inflows and outflows due in the day to day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a 180-day and 360-day lookout period are identified monthly. Net cash requirements are compared to available borrowing facilities in order to determine headroom or any shortfalls. This analysis shows if available borrowing facilities are expected to be sufficient over the lookout period.

The Company maintains cash and short-term bank deposits to meet its liquidity requirements for 30-day periods at a minimum. Funding for longer-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell longer-term financial assets.

The liquidity policies have been followed by the Company since prior years and are considered to have been effective in managing liquidity risks.

Analysed below is the Company’s remaining contractual maturities for its non-derivative financial liabilities at each of the reporting dates. When the creditor has a choice of when the liability is settled, the liability is included on the basis of the earliest date on when the Company can be required to pay.

	Within one year or demand $’000
At December 31, 2017	
Trade payables	451
Accrued salaries and benefits	1,638
Accrued expenses	227
Other payables	884
	3,200
At December 31, 2016 as restated	
Trade payables	825
Accrued salaries and benefits	1,953
Accrued expenses	284
Other payables	152
	3,214

Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2017 and 2016

28. Financial instruments (Continued)

	Within one year or demand $'000
At January 1, 2016 as restated	
Trade payables	767
Accrued salaries and benefits	1,746
Accrued expenses	572
Other payables	299
	3,384

The Company considers expected cash flows from financial assets in assessing and managing liquidity risk: in particular, its cash resources and other liquid assets that readily generate cash. The Company's existing cash resources and other liquid assets significantly exceed the cash outflow requirements.

Interest rate risk
The Company is exposed to interest rate risk on its variable-rate term bank deposit, which attracts interest at a rate of prime plus minus 2.10% per annum.

Currency risk
Currency risk is the risk that the fair values or future cash flows of the Company's financial instruments will fluctuate because of changes in foreign exchange rates. Exchange rate fluctuations may affect the costs that the Company incurs in its operations.

The operating subsidiary, Axion Games mainly operates in the PRC and majority of the transactions are settled in RMB. Foreign currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

The carrying amounts of the Group's foreign currency (as in relation to the functional currency of the relevant group entities) denominated monetary assets at the end of the reporting period is as follows:

		Assets	
	December 31, 2017 $'000	December 31, 2016 $'000 (Restated)	January 1, 2016 $'000 (Restated)
$	1,499	529	1

The Group is mainly exposed to $ relative to the functional currency of the relevant group entities, which are mainly CAD. The Group does not have a formal foreign currency hedging policy but management monitors the Group's foreign currency exposure in order to minimise the exchange rate risk.

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For the Years Ended December 31, 2017 and 2016

28. Financial instruments (Continued)

The following table details the Group's sensitivity to a 5% increase and decrease in functional currency of respective group entities against $. 5% is the sensitivity rate used and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes $ monetary assets at the end of the reporting period. A negative number below indicates an increase in loss where $ strengthen 5% against the functional currency. For a 5% weakening of $ against the functional currency, there would be an equal and opposite impact on the loss for the year.

	December 31, 2017 $'000	December 31, 2016 $'000 (Restated)	January 1, 2016 $'000 (Restated)
$	75	26	-*

* Represent amount less than $1,000

Credit risk
Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Company.

The financial instruments that potentially subject the Company to credit risk comprise investments, cash and cash equivalents and trade receivables, the carrying value of which represents the Company's maximum exposure to credit risk.

The Company limits its exposure to credit loss by placing its cash, cash equivalents and short-term investments with high credit quality financial institutions. The Company assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. The Company has receivables from customers and the general credit terms are from 60 days, and these amounts are generally not collateralised. The Company's trade and other receivables are actively monitored to avoid significant concentrations of credit risk.

29. Capital management
The objectives of the Company when managing capital are to safeguard the ability of the Company in continuing as a going concern in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to enhance shareholders' value in the long term.

The Company monitors capital by regularly reviewing the capital structure. As part of this review, the directors of the Company consider the cost of capital and the risks associated with the issued share capital. The Company may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debts.

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30 Events after the reporting date

Issuance of convertible debentures

On March 2, 2018, the Company closed a non-brokered private placement of convertible debentures in the principal amount of approximately $909,000 (the “Debentures”). The Debentures are convertible into common shares of the Company at a conversion price of CAD0.93 per share. The Debentures mature two years from the date of the closing and bear interest at the rate of 15% per annum, payable semi-annually in shares with the number of shares determined at the market price (as defined in the policies of the TSX-V) on the applicable interest payment date, unless the holder elects not to convert the interest into shares in which case the interest shall be calculated at a rate of 8% per annum and paid in cash.

Shareholder loans

On March 2, 2018, the Company entered into a shareholder loan with Cern One Limited ("Cern One"), whereby Cern One advanced a loan to the Company amounting to $800,000 to fund ongoing expenses. The loan is unsecured, non-interest bearing, and payable on demand. Cern One is controlled by Mr. Todd Bonner’s spouse, Nithinan Boonyawattanapisut. Mr. Todd Bonner is the Chairman, the officer and through Cern One, a significant shareholder of the Company.

On May 11, 2018, the Company entered into another shareholder loan with Red Anchor Trading Corp., whereby Red Anchor Trading Corp. advanced a loan to the Company amounting to $1,025,000 to fund ongoing expenses. The loan is unsecured, non-interest bearing, and payable on demand. Red Anchor Trading Corp. is also controlled by Mr. Todd Bonner’s spouse, Nithinan Boonyawattanapisut.

Shares issued in connection with finder’s warrants

The Company issued 1,000,000 share purchase warrants (“finder’s warrants”,) with an exercise price of CAD0.25, as a finder’s fee for the investment in Axion Games Limited on May 11, 2016. Each finder’s warrant is exercisable into one common share of the Company and will expire two years from the date of issuance. On May 11, 2018, these finder’s warrants had been fully exercised.