



ACN 145 105 148

**Incorporating**  
**APPENDIX 4D ASX HALF-YEAR INFORMATION**  
**30 June 2019**

**LODGED WITH THE ASX UNDER LISTING RULE 4.2A**

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2018 and any public announcements made by Frontier Capital Group Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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## Corporate Directory

**Frontier Capital Group Limited**

ACN 145 105 148  
ABN 88 145 105 148

**Registered and Corporate Office**

Level 2  
Hudson House  
131 Macquarie Street  
Sydney NSW 2000  
Telephone: +61 2 9251 7177  
Fax: +61 2 9251 7500  
Website: [www.fcgl.com.au](http://www.fcgl.com.au)

**Auditors**

K.S. Black & Co  
Level 1  
251 Elizabeth Street  
Sydney NSW 2000  
Telephone: +61 2 8839 3000

**Lawyers**

Piper Alderman  
Level 23, Governor Macquarie Tower  
1 Farrer Place  
Sydney NSW 2000  
Telephone: +61 2 9253 9999

**Bankers**

Australia & New Zealand Banking Group Limited  
Level 16,  
20 Martin Place  
Sydney NSW 2000  
Telephone: +61 2 9227 1818

St George Bank Limited  
Level 14, 182 George St  
Sydney NSW 2200  
Telephone: +61 2 9236 2230

**Directors**

Henri Ho (Executive Chairman)  
Leung Foo Meng  
Law Hun Seang  
Bernard Say Kuan How  
Matthew Chin

**Company Secretary**

Henry Kinstlinger

**Share Registry**

Computershare Investor Services Pty Limited  
GPO Box 2975  
Melbourne VIC 3001  
Australia  
Telephone: 1300 850 505

**ASX Code – FCG**

Frontier Capital Group Limited shares are listed on the Australian Securities Exchange.

This financial report covers the Consolidated Entity consisting of Frontier Capital Group Limited and its controlled entities.

Frontier Capital Group Limited is a company limited by shares, incorporated and domiciled in Australia.

## HALF-YEAR ENDED 30 June 2019

## RESULTS FOR ANNOUNCEMENT TO THE MARKET

				\$'000
Revenue from ordinary activities	Down	40.9%	to	855
Profit/(loss) from ordinary activities after tax	Up	807%	to	(4,603)
Net Profit/(loss) for the period attributable to members	Up	809%	to	(4,613)

Dividends/distributions	Amount per security	Franked amount per security
Final dividend	\$Nil	N/A
Interim dividend	\$Nil	N/A

No dividends or distributions were declared or paid during the reporting period.

The increase in the net loss from the previous corresponding period takes into account the changes in the gaming casino business in Philippines.

## Review of Operations

### Corporate

On 15 February 2019 Bernard Say Kuan How and Matthew Chin were appointed as directors of the Company.

On 4 March 2019 Dato Helen Li Zhang resigned as a director of the Company.

On 11 March 2019, the Company received A\$1,336,310, representing the return of the balance of the deposit paid for the acquisition of the Mongolian National Lottery. The Agreement to acquire the Mongolian National Lottery is now terminated.

During the reporting period, the Company has secured the reopening of the FortuneGate Casino (formerly the Casablanca Casino) owned by its subsidiary, Stotsenberg Leisure Park and Hotel Corporation, in Clark, Philippines and is in compliance with the requirements of the Philippines Amusement and Gaming Corporation in relation to an Escrow Account, Performance Assurance and Surety Bonds to enable recommencement of the casino operations.

The Stotsenberg Leisure Park Hotel has been operating throughout the period.

The official opening of the FortuneGate Casino was on 28 July 2019.



*Stotsenberg Leisure Park Hotel and FortuneGate Casino*

## Directors' Report

Your directors present their report together with the financial statements of the parent entity and the consolidated entity (referred to hereafter as the **Group**) consisting of Frontier Capital Group Limited (**Company**) and the entities it controlled at the end of or during the period ended 30 June 2019 and the Auditor's Review Report thereon.

<b>Principal activities</b>	The principal continuing activities of the Group during the course of the financial year were conducting graphic design business, and a gaming and hospitality business.
<b>Consolidated results</b>	The net consolidated loss of the Group for the six months ended 30 June 2019 was \$4.61 million (2018: Loss \$0.50 million). Total Shareholders' Funds as at 30 June 2019 are \$11.94 million. Additional information on the operations of the Group is disclosed in the Review of Operations section of this report.
<b>Review of operations</b>	Information on the operations and financial position of the Group and its business strategies and prospects are set out in the Review of Operations on page 3 of this report.
<b>Dividends</b>	The Directors of the Company do not recommend that any amount be paid by way of dividend. The Company has not paid or declared any amount by way of dividend since the commencement of the financial year.

### Directors

The following persons were directors of the Company during the whole of the period and up to the date of this report, unless otherwise stated:

Henri Ho	Executive Chairman	
Leung Foo Meng	Non-Executive Director	
Law Hun Seang	Non-Executive Director	
Bernard Say Kuan How	Managing Director	Appointed 15 February 2019
Matthew Chin	Non-Executive Director	Appointed 15 February 2019
Dato Helen Li Zhang	Non-Executive Director	Resigned 1 March 2019

### Rounding

The amounts contained in the half year financial report have been rounded to the nearest thousand dollars (where rounding is applicable) under the option available to the Company under ASIC Class Order 98/100. The Company is an entity to which the Class Order applies.

### Likely Developments

The Company intends to identify and pursue further business opportunities offering additional prospects for growth in the longer term.

## Directors' Report cont'd

### Subsequent Events

At the date of this report there are no other matters or circumstances, which have arisen since 30 June 2019 that have significantly affected or may significantly affect:

- the operations, in financial half-year subsequent to 30 June 2019, of the Group;
- the results of those operations; or
- the state of affairs, in financial half-year subsequent to 30 June 2019, of the Group.

### Auditor's Independence Declaration

A copy of the independence declaration by the auditor K.S. Black & Co under section 307C is included on page 6-8 of this half year financial report.

Signed in accordance with a resolution of the Directors:



**Henri Ho**  
Director



**Leung Foo Meng**  
Director

16 December 2019

## Auditor's Independence Declaration

Level 3  
350 Kent Street  
SYDNEY NSW 2000

75 Lyons Road  
DRUMMOYNE NSW 2047

# K.S. Black & Co.

ABN 44 111 020 355

20 Grose Street  
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PO Box 2210  
North Parramatta NSW 1750

### Independent AUDITOR'S REVIEW REPORT

To the Members of Frontier Capital Group Limited

#### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Frontier Capital Group Limited ("Group"), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the Group comprising the companies at the half-year's end or from time to time during the half-year.

#### Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal controls as the directors determine are necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

#### Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Performed by Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporation Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Frontier Capital Group Limited, ASRE 2410 required that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is subsequently less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurances that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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 CHARTERED ACCOUNTANTS  
 AUSTRALIA

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# K.S. Black & Co.

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## Basis for Qualified Opinion

We refer to the financial statements regarding Building, furniture and equipment and draw your attention to the revaluation of \$21.8mil from \$18.7mil in 2018 to \$40.5mil as at 30 June 2019.

We have been provided with two independent valuation reports dated November 2019 prepared by Colliers International for the leasehold land and building for the site located at Stotsenberg, Pampangd Philippines.

The valuation report prepared for the freehold land has been prepared on an 'income basis' using projected income and costs for potentialities purposes.

We have formed the view that the valuation reports are not sufficient evidence as they are based on projected income and costs that we were unable to verify, and in the absence of additional sufficient and appropriate evidence we have qualified the revaluation of buildings, furniture and equipment.

## Qualified Conclusion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial report of the Group is in accordance with the Corporations Act 2001, including:

- i) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the half-year then ended; and
- ii) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

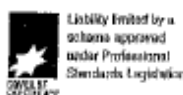
## Material uncertainty as to going concern

We refer to the financial statements of the Group and note that they have not included an accounting policy with respect to going concern.

The financial statements include in the 'Consolidated Statement of Cash Flows', a \$1.728 million deficiency of net cash flows from operating activities.

Included in the financial statements are additional borrowings that have been used for renovation and working capital.

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## Independent Auditor's Review Report

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As the Groups' business operations are not cash flow positive and reliant upon external borrowing, there exists a material uncertainty that may cast doubt as to whether the Group will be able to continue as a going concern in the absence of further equity and loan raisings.

Our opinion is not modified in respect of this matter.

### Independence

In conducting our review, we have complied with the independence requirements of the Australian professional accounting bodies.

KS Black & Co  
Chartered Accountants



Scott Bennison  
Partner

Dated: 16/12/19

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## Independent Auditor's Review Report cont'd

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**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS  
ACT 2001 TO THE DIRECTORS OF FRONTIER CAPITAL GROUP LIMITED**

I declare that, to the best of my knowledge and belief, during the half year ended 30 June 2019 there has been:

- a. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- b. no contraventions of any applicable code of professional conduct in relation to the audit.

The group is in respect of Frontier Capital Group Limited and the entities it controlled during the period.

KS Black & Co  
Chartered Accountants



Scott Bennison  
Partner

Dated in Sydney on this *16th* day of *December* 2019

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## Declaration by Directors

The Directors of the Company declare that:

1. The financial statements and notes, set out on page 10 to 26, are in accordance with the *Corporations Act 2001*, and:
  - i give a true and fair view of the financial position of the consolidated entity as at 30 June 2019 and of its performance for the half-year ended on that date; and
  - ii comply with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.
2. In the Directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors:



**Henri Ho**  
Director



**Leung Foo Meng**  
Director

16 December 2019

## Consolidated Statement of Profit or Loss and other Comprehensive Income for the Half-Year Ended 30 June 2019

	Notes	Consolidated Group	
		Half-year ended Jun 2019 \$'000	Half-year ended Jun 2018 \$'000
Revenue	3	855	1,447
Other income and expenses	3	(574)	3
Cost of providing services and administration expenses	3	(2,172)	(1,874)
Finance expenses		(2,712)	(101)
<b>PROFIT/(LOSS) FROM OPERATIONS BEFORE INCOME TAX</b>		<b>(4,603)</b>	<b>(525)</b>
Income tax		(10)	18
<b>NET PROFIT/(LOSS) FOR THE PERIOD</b>		<b>(4,613)</b>	<b>(507)</b>
<b>Other Comprehensive Income</b>			
Other comprehensive income before income tax			
Acquisition goodwill impairment		-	-
Income tax expense		-	-
<b>TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD</b>		<b>(4,613)</b>	<b>(507)</b>
Comprehensive income attributable to non-controlling interests		-	-
<b>TOTAL COMPREHENSIVE INCOME /(LOSS) ATTRIBUTABLE TO MEMBERS OF PARENT ENTITY</b>		<b>(4,613)</b>	<b>(507)</b>
<b>EARNINGS / (LOSS) PER SHARE</b>			
		<b>Cents</b>	<b>Cents</b>
Basic earnings/(losses) per share (cents per share)		<b>(1.67)</b>	<b>(0.18)</b>
Diluted earnings/(losses) per share (cents per share)		<b>(1.65)</b>	<b>(0.17)</b>

The above statement should be read in conjunction with the accompanying notes.

## Consolidated Statement of Financial Position

as at 30 June 2019

	Notes	Consolidated	
		Jun 2019 \$'000	Dec 2018 \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	4	14,263	14,181
Trade and other receivables	5	616	1,640
Other current assets		49	1,457
<b>Total current assets</b>		<b>14,928</b>	<b>17,278</b>
<b>Non-current assets</b>			
Trade and other receivables	5	49	-
Building, furniture and equipment		40,589	18,724
Other non-current assets		26	98
Intangible Assets		6,396	-
<b>Total non-current assets</b>		<b>47,060</b>	<b>18,822</b>
<b>Total Assets</b>		<b>61,988</b>	<b>36,100</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	6	27,370	19,258
Financial Liabilities		92	3
Provision		-	-
<b>Total current liabilities</b>		<b>27,462</b>	<b>19,261</b>
<b>Non-current liabilities</b>			
Trade and other payable	6	15,065	14,057
Financial Liabilities		1,463	-
Employee benefits provision		349	341
Other non-current liabilities		5,700	-
<b>Total non-current liabilities</b>		<b>22,577</b>	<b>14,398</b>
<b>Total Liabilities</b>		<b>50,039</b>	<b>33,659</b>
<b>Net Assets</b>		<b>11,949</b>	<b>2,441</b>
<b>EQUITY</b>			
Issued capital	7	59,870	59,870
Reserves		15,200	1,079
Accumulated losses		(63,121)	(58,508)
<b>Total Equity</b>		<b>11,949</b>	<b>2,441</b>

The above Statement should be read in conjunction with the accompanying notes.

## Consolidated Statement of Changes in Equity

for the Half-Year Ended 30 June 2019

Consolidated Group	Notes	Issued Capital \$'000	Reserves Options \$'000	Reserves \$'000	Accumulated Losses \$'000	Total Equity \$'000
<b>Balance at 31 December 2017</b>		59,870	2,425	(1,461)	(57,681)	3,153
Share issued		-	-	-	-	-
Shares issuing cost		-	-	-	-	-
Movement during the period		-	-	43	-	43
Loss for the period		-	-	-	(507)	(507)
<b>Balance at 30 June 2018</b>		<b>59,870</b>	<b>2,425</b>	<b>(1,418)</b>	<b>(58,188)</b>	<b>2,689</b>
<b>Balance at 30 June 2018</b>		59,870	2,425	(1,418)	(58,188)	2,689
Shares Issued during the period		-	-	-	-	-
Movement during the period		-	-	72	-	72
Loss for the period		-	-	-	(320)	(320)
<b>Balance at 31 December 2018</b>	7	<b>59,870</b>	<b>2,425</b>	<b>(1,346)</b>	<b>(58,508)</b>	<b>2,441</b>
<b>Balance at 31 December 2018</b>		<b>59,870</b>	<b>2,425</b>	<b>(1,346)</b>	<b>(58,508)</b>	<b>2,441</b>
Share issued		-	-	-	-	-
Shares issuing cost		-	-	-	-	-
Movement during the period		-	-	14,121	-	14,121
Profit for the period		-	-	-	(4,613)	(4,613)
<b>Balance at 30 June 2019</b>	7	<b>59,870</b>	<b>2,425</b>	<b>12,775</b>	<b>(63,121)</b>	<b>11,949</b>

The above Statement should be read in conjunction with the accompanying notes

## Consolidated Statement of Cash Flows

for the Half-Year Ended 30 June 2019

	Notes	Consolidated Group	
		Half-year ended Jun 2019 \$'000	Half-year ended Jun 2018 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipt from customers		445	211
Interest received		113	-
Interest paid		(67)	-
Payments for administration expenses		(2,219)	(1,222)
<b>NET CASH FLOWS (USED IN) / PROVIDED BY OPERATING ACTIVITIES</b>		<b>(1,728)</b>	<b>(1,011)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payment for investment		(26)	-
Payments for property, plant and equipment		(9,541)	-
Investment deposit refund		-	-
<b>NET CASH FLOWS (USED IN) / PROVIDED BY INVESTING ACTIVITIES</b>		<b>(9,567)</b>	<b>-</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from share issues/placements, net of costs		-	-
Other contributed equities		5,918	-
Advance from other entities		3,907	-
Lease financing		1,552	(8)
<b>NET CASH FLOWS (USED IN)/ PROVIDED BY FINANCING ACTIVITIES</b>		<b>11,377</b>	<b>(8)</b>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>82</b>	<b>(1,019)</b>
Cash and cash equivalents at the beginning of period		14,181	601
<b>CASH AND CASH EQUIVALENTS AT THE END OF PERIOD</b>	4	<b>14,263</b>	<b>(418)</b>

This Statement of Cash Flow is to be read in conjunction with the notes to the financial report.

## NOTES TO THE FINANCIAL STATEMENTS

### 1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

#### Reporting Entity

Frontier Capital Group Limited (the “**Company**”) is a company domiciled in Australia. The consolidated financial report of the Company as at and for the six months ended 30 June 2019 comprises the Company and its controlled entities (together referred to as the “**consolidated entity**”).

#### Statement of Compliance

The consolidated financial report is a general purpose financial report which has been prepared in accordance with AASB 134: *Interim Financial Reporting* and the *Corporations Act 2001*.

#### Estimates

The preparation of the financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (a) Basis of Preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporation Act 2001*.

#### *Statement of Compliance*

Compliance with Australian Accounting Standards Board (AASB’s) ensures that the financial report of Frontier Capital Group Limited also complies with International Financial Reporting Standards (“IFRS”).

#### *Critical accounting estimates*

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. 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:

#### Options valuation

Estimates and assumptions used to calculate the valuation of options.

#### *Historical cost convention*

These financial statements have been prepared on an accruals basis and are based on the historical cost convention except where noted in these accounting policies.

Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.



**NOTES TO THE FINANCIAL STATEMENTS continued****2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****(b) Principles of consolidation****Subsidiaries**

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Frontier Capital Group Limited (the “parent entity”) as at report date and the results of all subsidiaries for the year then ended. Frontier Capital Group Limited and its subsidiaries together are referred to in this financial report as the Group.

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from the entity’s activities generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. The financial performance of those activities is included only for the period of the year that they were controlled.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group.

Intercompany transactions, balances and unrealised gains on transactions between consolidated entity companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

**Joint Ventures**

Interest in joint venture entities are accounted for in the consolidated financial statements using the proportionate consolidation method and are carried at cost by the parent entity. Under the proportionate consolidated method, the share of income and expenses of the jointly controlled entity is combined line by line with similar items in the consolidated Statement of Profit and Loss and Other Comprehensive Income and the share of assets and liabilities are recognised in the consolidated Statement of Financial Position.

**Business Combination**

Business combinations occur where an acquirer obtains control over one or more businesses.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or business under common control. The business combination will be accounted for from the date that control is attained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exemptions).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent arrangement is also included, subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement accounted for within equity. Contingent consideration classified as an asset or liability is remeasured in each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to business combinations are recognised as expenses in profit or loss when incurred.

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

**NOTES TO THE FINANCIAL STATEMENTS continued****2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES***Goodwill*

Goodwill is carried at cost less any accumulated impairment losses. Goodwill is calculated as the excess of the sum of:

- i. The consideration transferred;
- ii. Any non-controlling interest; and
- iii. The acquisition date fair value of any previously held equity for a business combination plus the acquisition date fair value of any previously held equity holdings shall form the cost of the investment in the separate financial statements.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity holdings shall form the cost of the investment in the separate financial statements.

Fair value remeasurements in any pre-existing equity holding are recognised in profit or loss in the period in which they arise. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

The amount of goodwill recognised on acquisition of each subsidiary in which the Group holds less than a 100% interest will depend on the method adopted in measuring the non-controlling interest. The purchase method of accounting is used to account for the acquisitions of subsidiaries by the Group.

Under the full goodwill method, the fair value of the non-controlling interests is determined using valuation techniques which make the maximum use of market information where available. Under this method, goodwill attributable to the non-controlling interests is recognised in the consolidated financial statements.

Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates.

Goodwill is tested for impairment annually and is allocated to the Group's cash-generating units or groups of cash-generating units, representing the lowest level at which goodwill is monitored not larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity disposal of.

Changes in the ownership interests in a subsidiary are accounted for as equity transactions and do not affect the carrying amounts of goodwill.

**(c) Segment reporting**

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments. Reporting to management by segments is on this basis.

**(d) Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised for the major business activities as follows:

*Interest Revenue*

Interest revenue is recognised as it accrues taking into account the effective yield on the financial asset.

*Other Income*

Income from other sources is recognised when proceeds or the fee in respect of other products or service provided is receivable. All revenue is stated net of the amount of goods and services tax (GST).

**NOTES TO THE FINANCIAL STATEMENTS continued****2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****(e) Income Tax**

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

The Company and its wholly owned entities are part of a tax-consolidated group under Australian taxation law. Frontier Capital Group is the head entity in the tax-consolidated group. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax-consolidated group are recognised by the Company (as head entity in the tax-consolidated group).

The amounts receivable/payable under tax funding arrangements are due upon notification by the entity which is issued soon after the end of each financial year. Interim funding notices may also be issued by the head entity to its wholly owned subsidiary. These amounts are recognised as current intercompany receivables or payables.

**(f) Goods and services tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis except for the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, and are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

**NOTES TO THE FINANCIAL STATEMENTS continued****2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****(g) Impairment of assets**

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting period. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

**(h) Cash and cash equivalents**

For the purpose of the statement of cash flows, cash and cash equivalents include cash on hand and at call deposits with banks or financial institutions, and investment in money market instruments maturing within less than three months, net of bank overdrafts.

**(i) Trade and other receivables**

Trade receivables are recognised initially at original invoice amounts and subsequently measured at amortised cost, less provision for doubtful debts. Trade receivables are due for settlement no more than 60 days from the date of recognition.

Collectibility of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that entities in the Group will not be able to collect all amounts due according to the original terms of receivables.

**(j) Financial Instruments****Recognition and Initial Measurement**

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to profit or loss immediately.

**Classification and subsequent measurement**

Finance instruments are subsequently measured at either of fair value, amortised cost using the effective interest rate method, or cost. Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as:

- (a) the amount at which the financial asset or financial liability is measured at initial recognition;
- (b) less principal repayments;
- (c) plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest method; and
- (d) less any reduction for impairment.

**NOTES TO THE FINANCIAL STATEMENTS continued****2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

*i. Financial assets at fair value through profit or loss*

Financial assets are classified at 'fair value through profit or loss' when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

*ii. Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after reporting date. (All other loans and receivables are classified as non-current assets.)

*iii. Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Group's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after reporting date. (All other investments are classified as current assets.)

If during the period the Group sold or reclassified more than an insignificant amount of the held-to-maturity investments before maturity, the entire held-to-maturity investments category would be tainted and reclassified as available-for-sale.

*iv. Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

Available-for-sale financial assets are included in non-current assets, except for those which are expected to be disposed of within 12 months after reporting date. (All other financial assets are classified as current assets.)

**NOTES TO THE FINANCIAL STATEMENTS continued***v. Financial liabilities*

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

**Fair value**

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, and reference to similar instruments and option pricing models.

**Impairment**

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether impairment has arisen. Impairment losses are recognised in the Statement of Profit or Loss and other Comprehensive income.

**Derecognition**

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

**(k) Trade and other payables**

These amounts represent liabilities for goods and services which are unpaid, and were provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

**(l) Employee Benefits***(i) Wages, salaries and annual leave*

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

*(ii) Long service leave*

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy vesting requirements. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

**(m) Contributed Equity**

Ordinary shares are classified as equity.

## NOTES TO THE FINANCIAL STATEMENTS continued

**(n) Share based payments**

Ownership-based remuneration is provided to employees via an employee share option plan.

Share-based compensation is recognised as an expense in respect of the services received, measured on a fair value basis.

The fair value of the options at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The fair value of the options granted excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance date, the Group revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

Upon the exercise of options, the balance of the share-based payments reserve relating to those options is transferred to share capital.

**(o) Earnings per share (EPS)**

Basic EPS is calculated as net profit attributable to members, adjusted to exclude costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted EPS is calculated as net profit attributable to members, adjusted for costs of servicing equity (other than dividends), the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

**(p) New Accounting Standards for Application**

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods. The Group has decided against early adoption of these standards. We have reviewed these standards and interpretations and there are none having any material effect.

**3. REVENUE AND EXPENSES****Specific Items**

Profit/(loss) before income tax expense/(benefit) includes the following revenues and expenses whose disclosure is relevant in explaining the performance of the consolidated entity:

	<b>Consolidated</b>	
	<b>Half-year ended Jun 2019 \$'000</b>	<b>Half-year ended Jun 2018 \$'000</b>
<b>Revenue</b>		
Room revenue	<b>309</b>	509
Sales of goods, F&B and others	<b>250</b>	913
Other revenue	<b>296</b>	25
	<b>855</b>	1,447

## NOTES TO THE FINANCIAL STATEMENTS continued

	<b>Consolidated</b>	
	<b>Half-year ended Jun 2019 \$'000</b>	<b>Half-year ended Jun 2018 \$'000</b>
<b>Other income and expenses</b>		
Interest income	114	-
Foreign exchange and Others	(688)	3
	<u>(574)</u>	<u>3</u>
<b>Cost of providing services and administrative expenses</b>		
Casino and cost of services	(776)	(756)
Employee and on costs	(351)	(354)
Director fee	(92)	(95)
Consulting and professional fee	(218)	(68)
Other expenses	(735)	(601)
	<u>(2,172)</u>	<u>(1,874)</u>

## 4. CASH AND CASH EQUIVALENTS

	<b>Consolidated</b>	
	<b>Jun 2019 \$'000</b>	<b>Dec 2018 \$'000</b>
Cash at bank	1,963	681
Cash held in trust and escrowed	12,300	13,500
	<u>14,263</u>	<u>14,181</u>

## 5. TRADE AND OTHER RECEIVABLES

	<b>Consolidated</b>	
	<b>2019 \$'000</b>	<b>2018 \$'000</b>
<b>Current</b>		
Receivables - trade	761	352
Provision for doubtful debt	(210)	(62)
Deposit – Mongolian Lottery	-	1,336
Receivable – Non-trade	41	30
Provision for doubtful debt	-	(30)
Advance to officers and employees	12	13
Provision for doubtful debt	-	(13)
Receivables - advance to other party	97	138
Provision for non-recovery	(97)	(138)
Receivables - other	12	14
	<u>616</u>	<u>1,640</u>
<b>Non - Current</b>		
Receivables – security deposit and advanced	49	-
	<u>49</u>	<u>-</u>



## NOTES TO THE FINANCIAL STATEMENTS continued

## 6. TRADE AND OTHER PAYABLES

	Consolidated	
	Jun 2019	Dec 2018
	\$'000	\$'000
<b>Current</b>		
Trade payables	4,326	3,709
Other payables	289	142
Non-trade payable, deposit and accruals - note a	6,308	7,298
Deposit for future stock subscription - note b	5,918	3,861
Unsecured non-interest bearing payable - note c	10,529	4,248
	<u>27,370</u>	<u>19,258</u>
<b>Non-Current</b>		
Payables	14,259	13,500
Other payables - related	806	557
	<u>15,065</u>	<u>14,057</u>

Note a – Payable to third party, Peso 216 million (2018: Peso 184 million) pertains to expenses incurred in the renovation expenses, capital and operating expenses related to casino.

Non-trade includes unpaid balance of Peso 18 million (2018: Peso 91 million) for the construction of hotel and casino.

Note b - Advances Peso 150 million represent amounts payable to controlled entity stockholders arising for the refund of deposits for future stock subscription.

The amounts outstanding are unsecured, non-interest bearing, payable on demand and will be settled in cash. No guarantees have been given for these advances.

Note c - The amounts outstanding Peso 399 million (2018: Peso 165 million) pertains to cash advances provided to finance the controlled entity's working capital requirements and renovations of hotel from related party.

The amounts outstanding are unsecured, non-interest bearing, payable on demand and will be settled in cash. No guarantees have been given with respect to these advances.

## 7. ISSUED CAPITAL

	Consolidated		Consolidated	
	Jun 2019	Dec 2018	Jun 2019	Dec 2018
	No. of shares	No. of shares	\$	\$
<b>Ordinary shares Issued</b>	<u>276,290,000</u>	276,290,000	<u>59,870,455</u>	59,870,455

## (a) Movements in ordinary share capital during the period:

Consolidated Details	Jun 2019 No. of shares	Dec 2018 No. of shares	Jun 2019 \$	Dec 2018 \$
Opening Balance	276,290,000	276,290,000	59,870,455	59,870,455
Share issued	-	-	-	-
Share issuing costs	-	-	-	-
Closing Balance	<u>276,290,000</u>	276,290,000	<u>59,870,455</u>	59,870,455

## NOTES TO THE FINANCIAL STATEMENTS continued

**(b) Options**

No option issued or granted over unissued shares during the reporting period.

**(c) Terms and Conditions**

Each ordinary share participates equally in the voting rights of the Company. Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

**(d) Performance options**

No other performance option is granted or exercised during the year.

**8. COMMITMENTS**

	<b>Consolidated</b>	
	<b>2019</b>	2018
	<b>\$'000</b>	\$'000
<b>Lease commitments</b>		
<b>Non-cancellable operating leases – future</b>		
<b>Minimum lease payments</b>		
Within one year	<b>220</b>	211
Later than one year but no later than 5 years	<b>910</b>	1,147
Later than 5 years	<b>1,195</b>	961
	<b>2,325</b>	2,319

Controlled entity entered into lease agreement including a parcel of land for establishment and operation of hotel and restaurant in Philippines. Lease term shall be automatically renewed for another twenty five years.

**Services agreements**

The company has entered into a Corporate service agreement with Hudson Asset Management Pty Limited pursuant to which Hudson Asset Management Pty Limited has agreed to provide its management, registered office, administrative accounting, secretarial and compliance services.

The term of the Corporate Services Agreement is two years and the fee payable is that amount agreed between the parties from time to time. The terms of the Corporate Service Agreement provide that Hudson Asset Management Pty Limited shall act in accordance with the directors of the Board.

There are no other material commitments as at the date of this report.

**9. CONTINGENT LIABILITIES**

There are no other material contingent liabilities as at the date of this report.

No material losses are anticipated in respect of any of the above contingent liabilities.

## NOTES TO THE FINANCIAL STATEMENTS continued

## 10. SEGMENT REPORTING

**Business segments**

The consolidated entity is organised into the following divisions by location and service type:

- **Gaming and hospitality in Philippines**  
Operating 3 storey 239 room Hotel Stotsenberg and Casablanca Casino business
- **3D Multimedia Operations**  
3D Visual communication and multimedia support for property developers operating in Malaysia.

	Gaming and hospitality in Philippines	3D Multimedia Operations	Investment Services	Unallocated/ eliminated	Consolidated
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Primary reporting business segments Half Year 2019</b>					
Segment revenue	675	180	-	-	855
Segment result Profit/(loss) from operations before income tax	(2,458)	(940)	(1,215)	-	(4,613)
<b>Half Year 2018</b>					
Segment revenue	1,113	334	-	-	1,447
Segment result Profit/(loss) from operations before income tax	(106)	(243)	(158)	-	(507)

**NOTES TO THE FINANCIAL STATEMENTS continued****11. EVENTS SUBSEQUENT TO BALANCE DATE**

At the date of this report there are no other matters or circumstances, which have arisen since 30 June 2019 that have significantly affected or may significantly affect:

- the operations, in the financial half-year subsequent to 30 June 2019, of the consolidated entity;
- the results of those operations; or
- the state of affairs, in the financial half-year subsequent to 30 June 2019, of the consolidated entity.

**SUPPLEMENTARY APPENDIX 4D INFORMATION****NTA Backing**

	<b>30.06.2019</b>	31.12.2018
Net tangible asset backing per ordinary share	<b>4.32 cents</b>	5.77 cents

**Controlled Entities Acquired**

No entities was acquired during the reporting period.

**Loss of Control of Entities during the Period**

No entities have been disposed during the reporting period.

**Subsequent Events**

There have been no other events subsequent to reporting date which affects the results contained in this report or the continuing operations of the Company. Please refer to Note 11 to the financial statements.

**Accounting Standards**

Australian Accounting Standards have been used in the preparation of this report.

**Other Significant Information**

All significant information in relation to the financial performance and position of Hudson Investment Group Limited has been disclosed in the attached report.

**Returns to Shareholders**

No distribution/dividend paid this year. The company does not have a dividend/distribution reinvestment plan.

**Associated and Joint Venture Entities**

None during the reporting period.

**Audit Alert**

The Auditor's Review Report is included in the financial statements.