

MANDARIN GAMING N.V.
REPORT AND MANAGEMENT FINANCIAL
STATEMENTS
Year ended 31 December 2020



K. TREPPIDES
& CO LTD

MANDARIN GAMING N.V.

REPORT AND MANAGEMENT FINANCIAL STATEMENTS

Year ended 31 December 2020

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MANDARIN GAMING N.V.

BOARD OF DIRECTORS AND OTHER OFFICERS

Board of Directors:

Costas Yenethlis (appointed on 5 February 2020)
Raymonde Burke (resigned on 5 February 2020)
Century Management Services N.V.

Registration number:

95911

Registered office:

World Trade Center Curacao Unit TM.II.30
Piscadera Bay z/n
Willemstad, Curacao, Dutch Antilles

Independent Practitioner:

K. Treppides & Co Limited
Certified Public Accountants and Registered Auditors
Treppides Tower
9, Kafkasou Street, Aglantzia
2112, Nicosia, Cyprus

MANDARIN GAMING N.V.

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors presents its report and management financial statements of the Company for the year ended 31 December 2020.

Principal activities and nature of operations of the Company

The principal activities of the Company are the provision of online gaming services and marketing services. The Company holds a sublicense with Antillephone N.V. under license #8048/JAZ2004-006.

Review of current position, future developments and performance of the Company's business

The Company's development to date, financial results and position as presented in the financial statements are not considered satisfactory and the Board of Directors is making an effort to reduce the Company's losses.

The Board of Directors does not expect any significant changes or developments in the operations, financial position and performance of the Company in the foreseeable future.

Principal risks and uncertainties

The principal risks and uncertainties faced by the Company are disclosed in notes 5 and 6 of the financial statements.

Existence of branches

The Company does not maintain any branches.

Results

The Company's results for the year are set out on page 4. The net loss for the year is carried forward.

Share capital

There were no changes in the share capital of the Company during the year under review.

Board of Directors

The members of the Company's Board of Directors as at 31 December 2020 and at the date of this report are presented on page 1.

On 5 February 2020, Mrs Raymonde Burke resigned as Director of the Company and on the same date Mr. Costas Yenethlis was appointed.

There were no significant changes in the assignment of responsibilities and remuneration of the Board of Directors.

Events after the reporting period

Any significant events that occurred after the end of the reporting period are described in note 23 to the financial statements.

By order of the Board of Directors,



Costas Yenethlis
Director

29 September 2021

Independent Practitioner's Review Report

To the Members of Mandarin Gaming N.V.

Report on the Financial Statements

We have reviewed the financial statements of Mandarin Gaming N.V. (the "Company"), which are presented in pages 4 to 22 and comprise the statement of financial position as at 31 December 2020, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

Practitioner's Responsibility

Our responsibility is to express a conclusion on the accompanying financial statements. We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2400 (Revised) "Engagements to Review Historical Financial Statements". ISRE 2400 (Revised) "Engagements to Review Historical Financial Statements" requires us to conclude whether anything has come to our attention that causes us to believe that the financial statements, taken as a whole, are not prepared in all material respects in accordance with the applicable financial reporting framework. This Standard also requires us to comply with relevant ethical requirements.

A review of financial statements in accordance with ISRE 2400 (Revised) "Engagements to Review Historical Financial Statements" is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on these financial statements.

Conclusion

Based on our review, except for the fact that the Company has not prepared consolidated financial statements as required by the International Financial Reporting Standard 10 'Consolidated Financial Statements', nothing has come to our attention that causes us to believe that these financial statements do not present fairly, in all material respects, (or do not give a true and fair view of) the financial position of Mandarin Gaming N.V. as at 31 December 2020 and its financial performance and cash flows for the year then ended, in accordance with the International Financial Reporting Standards (IFRSs).



Helen Papatheocharous
Certified Public Accountant and Registered Auditor for and on behalf of

K. Treppides & Co Limited
Certified Public Accountants and Registered Auditors

Nicosia, Cyprus
29 September 2021

MANDARIN GAMING N.V.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2020

	Note	2020 US\$	2019 US\$
Revenue	7	146.431.044	67.337.092
Cost of sales	8	(145.338.373)	(74.495.957)
Gross profit/(loss)		1.092.671	(7.158.865)
Other operating income	9	126.802	714
Administration expenses	10	(199.719)	(19.206)
Other expenses	11	(394.332)	(83.106)
Operating profit/(loss)		625.422	(7.260.463)
Net finance costs	13	(1.528.213)	(545.215)
Loss before tax		(902.791)	(7.805.678)
Tax	14	-	-
Net loss for the year		(902.791)	(7.805.678)
Other comprehensive income			
Other comprehensive income for the year		-	-
Total comprehensive loss for the year		(902.791)	(7.805.678)

The notes on pages 8 to 22 form an integral part of these financial statements.

MANDARIN GAMING N.V.

STATEMENT OF FINANCIAL POSITION

31 December 2020

	Note	2020 US\$	2019 US\$
ASSETS			
Non-current assets			
Intangible assets	15	43.899	-
Investment in subsidiary	16	1.158	1.158
		45.057	1.158
Current assets			
Trade and other receivables	17	36.343.473	13.718.139
		36.343.473	13.718.139
Total assets		36.388.530	13.719.297
EQUITY AND LIABILITIES			
Equity			
Share capital	18	6.000	6.000
Accumulated (losses) /retained earnings		(289.110)	613.681
Total equity		(283.110)	619.681
Current liabilities			
Trade and other payables	19	36.671.640	13.099.616
Total liabilities		36.671.640	13.099.616
Total equity and liabilities		36.388.530	13.719.297

On 29 September 2021, the Board of Directors of Mandarin Gaming N.V. authorised these financial statements for issue.


Costas Yenethlis
Director

The notes on pages 8 to 22 form an integral part of these financial statements.

MANDARIN GAMING N.V.

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2020

	Share capital US\$	Accumulated (losses)/ Retained earnings US\$	Total US\$
At 1 January 2019	6.000	8.419.359	8.425.359
Comprehensive income			
Total comprehensive loss for the year	-	(7.805.678)	(7.805.678)
At 31 December 2019/ 1 January 2020	6.000	613.681	619.681
Comprehensive income			
Total comprehensive loss for the year	-	(902.791)	(902.791)
At 31 December 2020	6.000	(289.110)	(283.110)

The notes on pages 8 to 22 form an integral part of these financial statements.

MANDARIN GAMING N.V.

STATEMENT OF CASH FLOWS

Year ended 31 December 2020

	Note	2020 US\$	2019 US\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(902.791)	(7.805.678)
Adjustments for:			
Amortisation of trademarks and licences	15	12.271	-
Cash flows used in operations before working capital changes		(890.520)	(7.805.678)
Changes in working capital:			
Trade and other receivables		(22.625.334)	1.969.534
Trade and other payables		23.515.854	5.836.144
Cash generated from operations		-	-
Net increase in cash and cash equivalents		-	-
Cash and cash equivalents at beginning of the year		-	-
Cash and cash equivalents at end of the year		-	-

The notes on pages 8 to 22 form an integral part of these financial statements.

MANDARIN GAMING N.V.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

1. Incorporation and principal activities

Country of incorporation

Mandarin Gaming N.V. (the "Company") was incorporated in Curacao on 3 December 2004, as an international business company with limited liability. Its registered office is at World Trade Center Curacao Unit TM.II.30, Piscadera Bay z/n, Willemstad, Curacao, Dutch Antilles.

Principal activities

The principal activities of the Company are the provision of online gaming services and marketing services. The Company holds a sublicense with Antillephone N.V. under license #8048/JAZ2004-006.

Operating Environment of the Company

With the recent and rapid development of the Coronavirus disease (COVID-19) pandemic the world economy entered a period of unprecedented health care crisis that has caused considerable global disruption in business activities and everyday life. Many countries have adopted extraordinary and economically costly containment measures. Certain countries have required companies to limit or even suspend normal business operations. Governments have implemented restrictions on travelling as well as strict quarantine measures throughout the year.

Industries such as tourism, hospitality and entertainment have been directly disrupted significantly by these measures. Other industries, such as manufacturing and financial services, have also been indirectly affected.

In parallel, governments, introduced various financial support schemes in response to the economic impacts of the COVID-19 coronavirus pandemic. The Company has not applied for such government assistance.

Management has considered the unique circumstances and the risk exposures of the Company and has concluded that there is no significant impact in the Company's profitability position. COVID-19 did not have an immediate material impact on the business operations. The Company's management believes that it is taking all the necessary measures to maintain the viability of the Company and the development of its business in the current business and economic environment.

Management will continue to monitor the situation closely and will assess the need for further actions in case the period of disruption becomes prolonged.

2. Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU). The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and requires Management to exercise its judgment in the process of applying the Company's accounting policies. It also requires the use of assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on Management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

3. Adoption of new or revised standards and interpretations

During the current year the Company adopted all the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on 1 January 2020. This adoption did not have a material effect on the accounting policies of the Company.

4. Significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented in these financial statements unless otherwise stated.

Going concern basis

The Company incurred a loss of US\$902.791 for the year ended 31 December 2020, and, as of that date the Company's liabilities exceeded its assets by US\$283.110. The Company is dependent upon the continuing financial support of its shareholder without which there would be significant doubt about its ability to continue as a going concern as well as its ability to realise its assets and discharge its liabilities in the ordinary course of business. The shareholder has indicated his intention to continue providing such financial assistance to the Company to enable it to continue as a going concern and to meet its obligations as they fall due.

Subsidiary company

Subsidiary is an entity controlled by the Company. Control exists where the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Investment in subsidiary companies is stated at cost less provision for impairment in value, which is recognised as an expense in the period in which the impairment is identified.

Revenue

Recognition and measurement

Revenue represents the amount of consideration to which the Company expects to be entitled in exchange for transferring the promised services to the customer, excluding amounts collected on behalf of third parties (for example, value-added taxes); the transaction price. The Company includes in the transaction price an amount of variable consideration as a result of rebates/discounts only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Estimations for rebates and discounts are based on the Company's experience with similar contracts and forecasted sales to the customer.

The Company recognises revenue when the parties have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations, the Company can identify each party's rights and the payment terms for the services to be transferred, the contract has commercial substance (i.e. the risk, timing or amount of the Company's future cash flows is expected to change as a result of the contract), it is probable that the Company will collect the consideration to which it will be entitled in exchange for the services that will be transferred to the customer and when specific criteria have been met for each of the Company's contracts with customers.

The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. In evaluating whether collectability of an amount of consideration is probable, the Company considers only the customer's ability and intention to pay that amount of consideration when it is due.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimates are reflected in the statement of profit or loss and other comprehensive income in the period in which the circumstances that give rise to the revision become known by Management.

MANDARIN GAMING N.V.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

4. Significant accounting policies (continued)

Revenue recognition (continued)

Identification of performance obligations

The Company assesses whether contracts that involve the provision of a range of services contain one or more performance obligations (that is, distinct promises to provide a service) and allocates the transaction price to each performance obligation identified on the basis of its stand-alone selling price. A service that is promised to a customer is distinct if the customer can benefit from the service, either on its own or together with other resources that are readily available to the customer (that is the service is capable of being distinct) and the Company's promise to transfer the service to the customer is separately identifiable from other promises in the contract (that is, the service is distinct within the context of the contract).

- **Income from online gaming**

Income from online gaming services is recognised on an accrual basis.

- **Provision of marketing services**

Income from marketing services is recognised on an accrual basis.

Finance costs

Interest expense and other borrowing costs are charged to the statement of profit or loss and other comprehensive income as incurred.

Foreign currency translation

(1) Functional and presentation currency

Items included in the Company's financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in United States Dollars (US\$), which is the Company's functional and presentation currency.

(2) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss and other comprehensive income.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit or loss in the year in which the expenditure is incurred. The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

4. Significant accounting policies (continued)

Intangible assets (continued)

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation or amortisation 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 have suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Financial assets

Financial assets - Classification

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification and subsequent measurement of debt financial assets depends on: (i) the Company's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset. On initial recognition, the Company may irrevocably designate a debt financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI or at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

For investments in equity instruments that are not held for trading, the classification will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI). This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at FVTPL.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

Financial assets - Recognition and derecognition

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date when the Company commits to deliver a financial instrument. All other purchases and sales are recognised when the entity becomes a party to the contractual provisions of the instrument.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

4. Significant accounting policies (continued)

Financial assets (continued)

Financial assets - Recognition and derecognition (continued)

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

Financial assets - Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in 'other income'. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss and other comprehensive income. Financial assets measured at amortised cost (AC) comprise: cash and cash equivalents, bank deposits with original maturity over 3 months, trade receivables and financial assets at amortised cost.

FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in "other income". Foreign exchange gains and losses are presented in "other gains/(losses)" and impairment expenses are presented as separate line item in the statement of profit or loss and other comprehensive income.

FVTPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss and presented net within "other gains/(losses)" in the period in which it arises.

The debt instruments held by the Company are classified as financial assets at amortised cost.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

4. Significant accounting policies (continued)

Financial assets (continued)

Financial assets - impairment - credit loss allowance for ECL

The Company assesses on a forward-looking basis the ECL for debt instruments (including loans) measured at amortised cost and FVOCI and exposure arising from loan commitments and financial guarantee contracts. The Company measures ECL and recognises credit loss allowance at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

The carrying amount of the financial assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of profit or loss and other comprehensive income within "other expenses". Subsequent recoveries of amounts for which loss allowance was previously recognised are credited against the same line item.

Debt instruments carried at amortised cost are presented in the statement of financial position net of the allowance for ECL. For loan commitments and financial guarantee contracts, a separate provision for ECL is recognised as a liability in the statement of financial position.

The impairment methodology applied by the Company for calculating expected credit losses depends on the type of financial asset assessed for impairment. Specifically:

For trade receivables and contract assets, including trade receivables and contract assets with a significant financing component, and lease receivables the Company applies the simplified approach permitted by IFRS 9, which requires lifetime expected credit losses to be recognised from initial recognition of the financial assets.

For all other financial instruments that are subject to impairment under IFRS 9, the Company applies general approach - three stage model for impairment. The Company applies a three stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1.

Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter ("12 Months ECL"). If the Company identifies a significant increase in credit risk ("SICR") since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any ("Lifetime ECL"). Refer to note 5, Credit risk section, for a description of how the Company determines when a SICR has occurred. If the Company determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL. The Company's definition of credit impaired assets and definition of default is explained in note 5, Credit risk section.

Additionally the Company has decided to use the low credit risk assessment exemption for investment grade financial assets. Refer to note 5, Credit risk section for a description of how the Company determines low credit risk financial assets.

Trade and other payables

Trade and other payables are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method.

Share capital

Ordinary shares are classified as equity.

MANDARIN GAMING N.V.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

5. Financial risk management

Financial risk factors

The Company is exposed to credit risk, liquidity risk and currency risk arising from the financial instruments it holds. The risk management policies employed by the Company to manage these risks are discussed below:

5.1 Financial instruments by category

The accounting policies for financial instruments have been applied to the line items below:

31 December 2020

	Financial assets at amortised cost US\$	Total US\$
Assets as per statement of financial position:		
Trade and other receivables	36.339.243	36.339.243
	Borrowings and other financial liabilities US\$	Total US\$
Liabilities as per statement of financial position:		
Trade and other payables	36.656.772	36.656.772

31 December 2019

	Financial assets at amortised cost US\$	Total US\$
Assets as per statement of financial position:		
Trade and other receivables	13.714.364	13.714.364
	Borrowings and other financial liabilities US\$	Total US\$
Liabilities as per statement of financial position:		
Trade and other payables	13.087.255	13.087.255

5.2 Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to meet an obligation. Credit risk arises from contractual cash flows of debt investments carried at amortised cost, including outstanding receivables.

(i) Risk management

Credit risk is managed on a group basis. For banks and financial institutions, the Company has established policies whereby the majority of bank balances are held with independently rated parties with a minimum rating of ['C'].

If wholesale customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, Management assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual credit limits and credit terms are set based on the credit quality of the customer in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.

(ii) Impairment of financial assets

The Company has the following types of financial assets that are subject to the expected credit loss model:

- trade receivables
- financial assets at amortised cost

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

5. Financial risk management (continued)

5.2 Credit risk (continued)

(ii) Impairment of financial assets (continued)

The impairment methodology applied by the Company for calculating expected credit losses depends on the type of financial asset assessed for impairment. Specifically:

- For trade receivables the Company applies the simplified approach permitted by IFRS 9, which requires lifetime expected losses to be recognised from initial recognition of the financial assets.
- For all other financial assets that are subject to impairment under IFRS 9, the Company applies general approach - three stage model for impairment. The Company applies a three-stage model for impairment, based on changes in credit quality since initial recognition. A financial asset that is not credit-impaired on initial recognition is classified in Stage 1. Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter ("12 Months ECL"). If the Company identifies a significant increase in credit risk ("SICR") since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any ("Lifetime ECL"). If the Company determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL.

Impairment losses are presented as net impairment losses on financial and contract assets within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Significant increase in credit risk

The Company considers the probability of default upon initial recognition of the asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Company compares the risk of a default occurring on the financial asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- internal credit rating
- external credit rating (as far as available)
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's/counterparty's ability to meet its obligations
- actual or expected significant changes in the operating results of the borrower/counterparty
- significant increases in credit risk on other financial instruments of the same borrower/counterparty
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements
- significant changes in the expected performance and behaviour of the borrower/counterparty, including changes in the payment status of counterparty in the Company and changes in the operating results of the borrower/counterparty.

Macroeconomic information (such as market interest rates or growth rates) is incorporated as part of the internal rating model. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified the GDP and the unemployment rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors. No significant changes to estimation techniques or assumptions were made during the reporting period.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment.

MANDARIN GAMING N.V.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

5. Financial risk management (continued)

5.2 Credit risk (continued)

(ii) Impairment of financial assets (continued)

Low credit risk

The Company has decided to use the low credit risk assessment exemption for investment grade financial assets. Management consider 'low credit risk' for listed bonds to be an investment grade credit rating with at least one major rating agency. Other instruments are considered to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

Default

A default on a financial asset is when the counterparty fails to make contractual payments within 90 days of when they fall due.

Write-off

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Company. The Company categorises a debt financial asset for write off when a debtor fails to make contractual payments greater than 180 days past due. Where debt financial assets have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

The Company's exposure to credit risk for each class of (asset/instrument) subject to the expected credit loss model is set out below:

Receivables from related party

The Company applies the IFRS 9 general approach to measuring expected credit losses which uses the three stage model for impairment. The Company applies a three stage model for impairment, based on changes in credit quality since initial recognition.

The expected credit loss was calculated based on the probability of default and loss given using the Moody's historic data for the country that the debtor is operating and the exposure at default of the receivable balance from the related party.

The gross carrying amounts below represent the Company's maximum exposure to credit risk on these assets as at 31 December 2020 and 31 December 2019:

Company internal credit rating

	2020	2019
	US\$	US\$
Gross carrying amount	36.551.024	13.531.813
Less: expected credit loss	(211.781)	(83.106)
Total	36.339.243	13.448.707

Receivables from related parties with a contractual amount of US\$211.781 (2019: US\$83.106) written off during the year.

Receivable from shareholder

The Company applies the IFRS 9 general approach to measuring expected credit losses which uses the three stage model for impairment. The Company applies a three stage model for impairment, based on changes in credit quality since initial recognition.

MANDARIN GAMING N.V.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

5. Financial risk management (continued)

5.2 Credit risk (continued)

(ii) Impairment of financial assets (continued)

Receivable from shareholder (continued)

The gross carrying amounts below represent the Company's maximum exposure to credit risk on these assets as at 31 December 2020 and 31 December 2019:

Company internal credit rating	2020 US\$	2019 US\$
Gross carrying amount	265.657	265.657
Less: expected credit loss	(265.657)	-
Total	-	265.657

The loss allowance for these assets as at 31 December 2019 and 31 December 2020 reconciles to the opening loss allowance for that provision as follows:

	Stage 1 Performing US\$	Stage 2 Under- performing US\$	Stage 3 Non- performing US\$	Total US\$
Opening balances as at 1 January 2019	83.106	-	-	83.106
Loss allowance at 31 December 2019	83.106	-	-	83.106
Increase of expected credit loss	394.332	-	-	394.332
Closing loss allowance at 31 December 2020	477.438	-	-	477.438

5.3 Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Company has no formal procedures with the object of minimising such losses. The Company has no significant exposure to liquidity risk as the majority of its trade and other payables are with a related companies who will not call for repayment unless the entity is in a position to do so.

5.4 Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Company's measurement currency. The Company is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the Euro. The Company's Management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

Fair value estimation

The fair values of the Company's financial assets and liabilities approximate their carrying amounts at the reporting date.

6. Critical accounting estimates, judgments and assumptions

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

MANDARIN GAMING N.V.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

6. Critical accounting estimates, judgments and assumptions (continued)

Critical accounting estimates and assumptions

The Company 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.

Critical judgements in applying the Company's accounting policies

- **Impairment of investment in subsidiary**

The Company periodically evaluates the recoverability of investment in subsidiary whenever indicators of impairment are present. Indicators of impairment include such items as declines in revenues, earnings or cash flows or material adverse changes in the economic or political stability of a particular country, which may indicate that the carrying amount of an asset is not recoverable. If facts and circumstances indicate that investment in subsidiary may be impaired, the estimated future discounted cash flows associated with this subsidiary would be compared to their carrying amounts to determine if a write-down to fair value is necessary.

- **Impairment of financial assets**

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in note 5, Credit risk section.

- **Impairment of intangible assets**

Intangible assets are initially recorded at acquisition cost and are amortized on a straight line basis over their useful economic life. Intangible assets that are acquired through a business combination are initially recorded at fair value at the date of acquisition. Intangible assets with indefinite useful life are reviewed for impairment at least once per year. The impairment test is performed using the discounted cash flows expected to be generated through the use of the intangible assets, using a discount rate that reflects the current market estimations and the risks associated with the asset. When it is impractical to estimate the recoverable amount of an asset, the Company estimates the recoverable amount of the cash generating unit in which the asset belongs to.

- **Useful live of depreciable assets**

The Board of Directors assesses the useful lives of depreciable assets at each reporting date, and revises them if necessary so that the useful lives represent the expected utility of the assets to the Company. Actual results, however, may vary due to technological obsolescence, mis-usage and other factors that are not easily predictable.

7. Revenue

	2020 US\$	2019 US\$
Online gaming services income	104.702.161	52.254.449
Web analytics income	3.723.647	-
Marketing services income	38.005.236	15.082.643
	<u>146.431.044</u>	<u>67.337.092</u>

MANDARIN GAMING N.V.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

8. Cost of sales

	2020 US\$	2019 US\$
Customer services expenses	-	365.105
Consulting services received	1.171.554	3.405.645
Affiliate service costs	31.335.398	14.659.505
IT support and maintenance costs	139.924	148.724
Software loyalty fees	-	2.593.565
Payment services providers charges	48.174.560	1.191.533
Web analytics fees	-	1.324.454
Online gaming service costs	21.192.616	7.501.907
Commission costs	4.656.010	346.868
Software fees	4.817.898	13.434.964
Marketing services	32.987.269	20.178.713
Amounts written off	-	8.953.731
Other expenses	863.144	391.243
	145.338.373	74.495.957

9. Other operating income

	2020 US\$	2019 US\$
Amount written off	126.802	714

10. Administration expenses

	2020 US\$	2019 US\$
Staff costs	68.532	-
Other expenses	-	4.651
Accounting fees	7.363	6.179
Legal fees	14.278	865
Other professional fees	-	959
Management fees	6.749	6.179
Annual administration fees	90.526	373
Amortisation of trademarks and licences (Note 15)	12.271	-
	199.719	19.206

Non audit fees of US\$7.363 (2019: US\$6.179) have been charged by the Company's statutory auditor.

11. Other expenses

	2020 US\$	2019 US\$
Expected credit loss (Note 5.2)	394.332	83.106

12. Staff costs

	2020 US\$	2019 US\$
Salaries	68.532	-

MANDARIN GAMING N.V.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

13. Finance costs

	2020 US\$	2019 US\$
Net foreign exchange losses	1.528.213	545.215
Finance costs	1.528.213	545.215

14. Tax

The Company is an international business company, registered in Curacao and under the Laws of the country is not subject to corporation tax therein.

15. Intangible assets

	Patents and trademarks US\$
Cost	
Additions	56.170
At 31 December 2020	56.170
Amortisation	
Amortisation for the year (Note 10)	12.271
At 31 December 2020	12.271
Net book amount	
At 31 December 2020	43.899

16. Investment in subsidiary

	2020 US\$	2019 US\$
At 1 January	1.158	1.158
At 31 December	1.158	1.158

The details of the subsidiary are as follows:

Name	Country of incorporation	Principal activities	2020 Holding %	2019 Holding %	2020 US\$	2019 US\$
Livepoint Trading Limited	Cyprus	Provision of agency services	100	100	1.158	1.158

17. Trade and other receivables

	2020 US\$	2019 US\$
Receivables from related parties (Note 20.4)	36.551.024	13.531.813
Shareholder's current account - debit balance (Note 20.6)	265.657	265.657
Less: credit loss on receivables from related parties (Note 20.4)	(477.438)	(83.106)
Deposits and prepayments	4.230	3.775
	36.343.473	13.718.139

The exposure of the Company to credit risk and impairment losses in relation to trade and other receivables is reported in note 5 of the financial statements.

MANDARIN GAMING N.V.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

18. Share capital

	2020 Number of shares	2020 US\$	2019 Number of shares	2019 US\$
Authorised				
Ordinary shares of US\$10 each	<u>600</u>	<u>6.000</u>	<u>600</u>	<u>6.000</u>
Issued and fully paid				
At 1 January	<u>600</u>	<u>6.000</u>	<u>600</u>	<u>6.000</u>
At 31 December	<u>600</u>	<u>6.000</u>	<u>600</u>	<u>6.000</u>

19. Trade and other payables

	2020 US\$	2019 US\$
Trade payables	552.855	457.702
Accruals	14.868	12.361
Other payables	5.465	-
Payables to related parties (Note 20.5)	<u>36.098.452</u>	<u>12.629.553</u>
	<u>36.671.640</u>	<u>13.099.616</u>

The fair values of trade and other payables due within one year approximate to their carrying amounts as presented above.

20. Related party transactions

The Company is controlled by Mr. Costas Yenethlis who owns 100% of the Company's shares.

The following transactions were carried out with related parties:

20.1 Directors' remuneration

The remuneration of Directors and other members of key management was as follows:

	2020 US\$	2019 US\$
Directors' remuneration	<u>68.532</u>	<u>-</u>

20.2 Revenue

	2020 US\$	2019 US\$
Coaldale Enterprises Limited	104.530.058	15.010.408
Livepoint Trading Limited	-	37.244.041
Epaysys Limited	<u>267.725</u>	<u>-</u>
	<u>104.797.783</u>	<u>52.254.449</u>

20.3 Cost of sales

	2020 US\$	2019 US\$
Livepoint Trading Limited	6.293.755	39.925.314
Coaldale Enterprises Limited	138.196.408	34.507.643
Epaysys Limited	<u>6.740</u>	<u>-</u>
	<u>144.496.903</u>	<u>74.432.957</u>

MANDARIN GAMING N.V.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

20. Related party transactions (continued)

20.4 Receivables from related parties (Note 17)

	2020 US\$	2019 US\$
Coaldale Enterprises Limited	-	13.531.813
Livepoint Trading Limited	36.214.333	-
Epaysys Limited	336.691	-
Expected credit loss	(211.781)	(83.106)
	36.339.243	13.448.707

20.5 Payables to related parties (Note 19)

	2020 US\$	2019 US\$
Livepoint Trading Limited	8.027.017	6.561.833
Interonline Limited	9.728	9.083
Novotech Investments Limited	-	6.058.637
Coaldale Enterprises Limited	15.627.766	-
Global On-line Services Limited	12.433.941	-
	36.098.452	12.629.553

20.6 Shareholder's current account - debit balance (Note 17)

	2020 US\$	2019 US\$
Shareholder's current account	265.657	265.657
Expected credit loss	(265.657)	-
	-	265.657

The shareholder's current account is interest free, and has no specified repayment date.

21. Contingent liabilities

The Company had no contingent liabilities as at 31 December 2020.

22. Commitments

The Company had no capital or other commitments as at 31 December 2020.

23. Events after the reporting period

Depending on the duration of the Coronavirus disease (COVID-19) pandemic, and continued negative impact on economic activity, the Company might experience negative results, and liquidity restraints and incur impairments on its assets in 2021. The exact impact on the Company's activities in 2021 and thereafter cannot be predicted.

There were no other material events after the reporting period, which have a bearing on the understanding of the financial statements.

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