Asia Pioneer Entertainment Holdings Limited
亞洲先鋒娛樂控股有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock Code : 8400

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

This report, for which the directors of Asia Pioneer Entertainment Holdings Limited (the "**Company**", the "**Directors**" respectively) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (the "**GEM Listing Rules**") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

TOTAL SOLUTIONS PROVIDER FOR ELECTRONIC GAMING EQUIPMENT IN MACAU AND ASIA

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2018 INTERIM HIGHLIGHTS (UNAUDITED)

The board of Directors (the "**Board**") announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the "**Group**") for the six months ended 30 June 2018 (the "**Period**"), together with the unaudited corresponding figures for the six months ended 30 June 2017 (the "**Corresponding Period**"). The Group's revenue decreased by 43% from approximately HK$39.6 million for the Corresponding Period to approximately HK$22.5 million for the Period. The sharp decrease in revenue was mainly attributable to the following reasons: (i) a 37% decrease in income derived from technical sales and distribution of electronic gaming equipment ("**EGE**") (ii) a 80% decrease in revenue derived from Consulting and Technical Services.

During the Period, the Group's gross profit decreased from approximately HK$17.5 million for the Corresponding Period to approximately HK$5.8 million for the Period, representing a decrease of approximately 67%. Gross margins from sales of products and services also decreased to 25.6% for the Period compared to 44.3% for the Corresponding Period.

The Group's total comprehensive loss for the Period (the "**Net Loss**") was approximately HK$5.0 million (the Corresponding Period: Net Profit of approximately HK$4.3 million). The Net Loss was mainly due to the combined effects of (i) a decrease in revenue derived from the Group's technical sales and distribution of EGE and a decline in revenue in consulting and technical services, (ii) a significant increase in the Group's operating expenses and (iii) a decrease in the Group's overall gross profit margin.

The Board has resolved not to declare the payment of any interim dividend for the Period (The Corresponding Period: a dividend of HK$6.5 million was declared and paid by Asia Pioneer Entertainment, Ltd. ("**APE BVI**") to its shareholders).

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Introduction

We have reviewed the condensed consolidated financial statements of Asia Pioneer Entertainment Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 5 to 30, which comprises the condensed consolidated statement of financial position as at 30 June 2018 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the International Auditing and Assurance Standards Board. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Without qualifying our review conclusion, we draw attention to the fact that the comparative condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period ended 30 June 2017 and the relevant explanatory notes included in these condensed consolidated financial statements have not been reviewed in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
13 August 2018

UNAUDITED CONDENSED CONSOLIDATED INTERIM RESULTS

The Board presents the unaudited condensed consolidated results of the Group for the Period together with the comparative unaudited figures for the Corresponding Period as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018

		Six months ended 30 June		Three months ended 30 June	
		2018	2017	**2018**	2017
	Notes	***HK$***	*HK$*	***HK$***	*HK$*
		Unaudited	Unaudited	**Unaudited**	Unaudited
Revenue	3	**22,541,825**	39,572,596	**8,613,402**	21,544,551
Cost of sales and services		**(16,772,884)**	(22,051,354)	**(5,587,515)**	(11,661,598)
Gross profit		**5,768,941**	17,521,242	**3,025,887**	9,882,953
Other income, gains and losses	4	**(148,732)**	423,439	**(183,378)**	300,227
Operating expenses		**(10,635,870)**	(5,162,278)	**(6,109,413)**	(2,880,316)
Listing expenses		**–**	(6,908,544)	**–**	(2,584,798)
(Loss) profit before tax		**(5,015,661)**	5,873,859	**(3,266,904)**	4,718,066
Income tax expense	5	**–**	(1,515,008)	**–**	(864,771)
(Loss) profit and total comprehensive (expense) income for the period	6	**(5,015,661)**	4,358,851	**(3,266,904)**	3,853,295
(Loss) earnings per share					
Basic	8	**(0.005)**	0.006	**(0.003)**	0.005

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2018

	Notes	**At 30 June 2018 *HK$* Unaudited**	At 31 December 2017 *HK$* Audited
NON-CURRENT ASSETS			
Property and equipment	9	**5,461,398**	619,190
Deposit for property and equipment		**1,150,000**	1,553,398
Rental deposit		**180,000**	180,000
		6,791,398	2,352,588
CURRENT ASSETS			
Inventories	10	**5,126,272**	1,457,065
Trade and other receivables	11	**16,800,845**	21,977,263
Fixed bank deposit		**40,152**	40,077
Bank balances and cash		**61,189,463**	66,751,020
		83,156,732	90,225,425
CURRENT LIABILITIES			
Trade and other payables	13	**12,374,121**	18,548,164
Contract liabilities	14	**8,521,821**	–
Amount due to a related party	15	**38,000**	–
Tax payable		**3,562,732**	3,562,732
		24,496,674	22,110,896
NET CURRENT ASSETS		**58,660,058**	68,114,529
NET ASSETS		**65,451,456**	70,467,117
CAPITAL AND RESERVES			
Share capital	16	**10,000,000**	10,000,000
Reserves		**55,451,456**	60,467,117
		65,451,456	70,467,117

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

	Share capital HK$	Share premium HK$	Merger reserve HK$ (Note b)	Legal reserve HK$ (Note a)	Accumulated profits HK$	Total HK$
At 1 January 2018	10,000,000	55,098,836	(3,416,148)	504,489	8,279,940	70,467,117
Loss and total comprehensive expense for the period	–	–	–	–	(5,015,661)	(5,015,661)
At 30 June 2018 (unaudited)	**10,000,000**	**55,098,836**	**(3,416,148)**	**504,489**	**3,264,279**	**65,451,456**
At 1 January 2017	–	–	3,137,505	504,489	10,287,654	13,929,648
Profit and total comprehensive income for the period	–	–	–	–	4,358,851	4,358,851
Share swap upon reorganisation	25	6,553,628	(6,553,653)	–	–	–
Dividend *(note 7)*	–	–	–	–	(6,500,000)	(6,500,000)
At 30 June 2017 (unaudited)	25	6,553,628	(3,416,148)	504,489	8,146,505	11,788,499

Notes:

a. In accordance with provision of the Macau Commercial Code, the subsidiary incorporated in Macau Special Administrative Region ("**Macau SAR**") is required to transfer a minimum of 25% of the profit after taxation each year to the legal reserve until the balance meets 50% of its registered capital. The reserve is not distributable to shareholders.

b. The balance of merger reserve at 1 January 2017 represented the share capital of a subsidiary prior to the reorganisation. The movement of merger reserve during the period ended 30 June 2017 is arisen from the reorganisation, which represents the difference between the nominal value of the shares of the Company issued for the acquisition of a subsidiary, and the carrying amount of total equity of a subsidiary at the date of completion of the reorganisation.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

	Six months ended 30 June	
	2018	2017
	HK$	*HK$*
	Unaudited	Unaudited
NET CASH (USED IN) FROM OPERATING ACTIVITIES	**(571,654)**	12,419,355
INVESTING ACTIVITIES		
Interest received	**36,432**	641
Placement of fixed bank deposit	**(75)**	(437)
Purchase of property and equipment	**(3,674,308)**	(53,738)
Deposit for property and equipment	**(1,150,000)**	–
NET CASH USED IN INVESTING ACTIVITIES	**(4,787,951)**	(53,534)
FINANCING ACTIVITIES		
Repayments to shareholders	**–**	(26,179)
Issue costs paid	**(201,952)**	(2,084,467)
Dividends paid	**–**	(6,500,000)
NET CASH USED IN FINANCING ACTIVITIES	**(201,952)**	(8,610,646)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(5,561,557)**	3,755,175
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**66,751,020**	15,710,607
CASH AND CASH EQUIVALENTS AT END OF PERIOD, represented by bank balances and cash	**61,189,463**	19,465,782

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 ("**IAS 34**") Interim Financial Reporting issued by the International Accounting Standards Board as well as with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on Growth Enterprise Market ("**GEM**") of The Stock Exchange of Hong Kong Limited (the "**GEM Rules**").

The unaudited condensed consolidated financial statements are presented in Hong Kong dollars ("**HK$**"), while the functional currency of the Company is United States dollars ("**US$**") as it is the currency of the primary economic environment in which the group entities operate.

2. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis. Other than changes in accounting policies resulting from application of new and amendments to International Financial Reporting Standards ("**IFRSs**"), the accounting policies and methods of computation used in the unaudited condensed consolidated financial statements are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017.

Application of new and amendments to IFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to IFRSs which are mandatory effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's unaudited condensed consolidated financial statements:

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers and the related Amendments
IFRIC — Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
Amendments to IAS 28	As part of the Annual Improvements to IFRSs 2014-2017 Cycle
Amendments to IAS 40	Transfers of Investment Property

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

2. PRINCIPAL ACCOUNTING POLICIES – *continued*

Application of new and amendments to IFRSs – *continued*

The new and amendments to IFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

2.1 Impacts and changes in accounting policies of application on IFRS 15 Revenue from Contracts with Customers

The Group has applied IFRS 15 for the first time in the current interim period. IFRS 15 superseded IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations.

Revenue from contracts with customers primarily consist of the following sources:

- procurement, distribution, assistance in fulfilling the requirement from relevant government authorities and installation of electronic gaming equipment and spare parts and the related after sales services to casino operators ("Technical Sales and Distribution of electronic gaming equipment");
- the provision of consulting services to counterparties including (a) product design and content consultancy; (b) project management services; and (c) on-site consultancy ("Consultancy and Technical Services"); and
- the provision of repair services to casino operators ("Repair Services").

Technical Sales and Distribution of Electronic Gaming Equipment

Revenue from the sale and distribution of electronic gaming equipment is recognised when the goods are delivered and titles have passed, at a point of time where all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

2. PRINCIPAL ACCOUNTING POLICIES *– continued*

2.1 Impacts and changes in accounting policies of application on IFRS 15 Revenue from Contracts with Customers *– continued*

Technical Sales and Distribution of Electronic Gaming Equipment *– continued*

The directors of the Company considered that these multi-elements are not separately identifiable components and therefore, the revenue on Technical Sales and Distribution of Electronic Gaming Equipment is recognised as sales of goods, when the goods approved by the local regulatory are delivered and title have passed.

Income from Consulting and Technical Services

Income from Consulting and Technical Services is recognised over the contract period in accordance with the terms and substances of the contracts if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

For income from Consulting and Technical Services, which does not satisfy any criteria to be recognised over the contract period, is recognised upon the completion in accordance with the terms and substances of the contracts.

Income from Repairs Services

Income from repair services represents the consideration received or receivable for providing repair services to casino operators.

Income from repair services is recognised at the point of time when the related services are rendered.

The Group has applied IFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated. Furthermore, in accordance with the transition provisions in IFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 January 2018.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

2. PRINCIPAL ACCOUNTING POLICIES – *continued*

2.1 Impacts and changes in accounting policies of application on IFRS 15 Revenue from Contracts with Customers – *continued*

2.1.1. Key changes in accounting policies resulting from application of IFRS 15

IFRS 15 introduces a 5-step approach when recognising revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

2. PRINCIPAL ACCOUNTING POLICIES – *continued*

2.1 Impacts and changes in accounting policies of application on IFRS 15 Revenue from Contracts with Customers – *continued*

2.1.1. Key changes in accounting policies resulting from application of IFRS 15 – continued

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Contracts with multiple performance obligations (including allocation of transaction price)

For consultancy contracts that contain more than one performance obligations, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

Warranties

If a customer has the option to purchase a warranty separately, the Group accounts for the warranty as a separate performance obligation and allocates a portion of the transaction price to that performance obligation.

If a customer does not have the option to purchase a warranty separately, the Group accounts for the warranty in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets unless the warranty provides the customer with a service in addition to the assurance that the product complies with agreed-upon specifications (i.e. service-type warranties).

For service-type warranties, the promised service is a performance obligation. In that case, the Group allocates a portion of the transaction price to the warranty.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

2. PRINCIPAL ACCOUNTING POLICIES – *continued*

2.1 Impacts and changes in accounting policies of application on IFRS 15 Revenue from Contracts with Customers – *continued*

2.1.2 Effect arising from initial application of IFRS 15

At the date of initial application, the Group has assessed that the application of IFRS 15 does not have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

2.2 Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments

In the current period, the Group has applied IFRS 9 Financial Instruments and the related consequential amendments to other IFRSs. IFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities and 2) expected credit losses ("ECL") for financial assets.

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening accumulated profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 39 Financial Instruments: Recognition and Measurement.

2.2.1 Key changes in accounting policies resulting from application of IFRS 9

Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with IFRS 15.

All recognised financial assets that are within the scope of IFRS 9 are subsequently measured at amortised cost or fair value, including unquoted equity investments measured at cost less impairment under IAS 39.

2. PRINCIPAL ACCOUNTING POLICIES – *continued*

2.2 Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments – *continued*

2.2.1 Key changes in accounting policies resulting from application of IFRS 9 – continued

Classification and measurement of financial assets – continued

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under IFRS 9 (including trade and other receivables, fixed bank deposit and bank balances). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment is done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

2. PRINCIPAL ACCOUNTING POLICIES – *continued*

2.2 Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments – *continued*

2.2.1 Key changes in accounting policies resulting from application of IFRS 9 – continued

Impairment under ECL model – continued

The ECL on trade receivables are assessed for customers with significant balances individually and/or collectively using a provision matrix with appropriate groupings.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

2. PRINCIPAL ACCOUNTING POLICIES – *continued*

2.2 Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments – *continued*

2.2.1 Key changes in accounting policies resulting from application of IFRS 9 – continued

Impairment under ECL model – continued

Significant increase in credit risk – *continued*

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

2. PRINCIPAL ACCOUNTING POLICIES – *continued*

2.2 Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments – *continued*

2.2.1 Key changes in accounting policies resulting from application of IFRS 9 – continued

Impairment under ECL model – continued

Measurement and recognition of ECL – *continued*

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

As at 1 January 2018, the Directors reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of IFRS 9.

2.2.2 Effect arising from initial application of IFRS 9

As at 1 January 2018, the Group's financial assets consist of trade and other receivables, fixed bank deposit, and bank balances and cash that are recognised at amortised cost. The Group applies the IFRS 9 simplified approach to measuring ECL using a lifetime expected loss allowance for all trade receivables. For other financial assets at amortised cost mainly comprise of other receivables, fixed bank deposit and bank balances, are measured on 12m ECL basis and there had been no significant increase in credit risk since initial recognition. The Group assessed that the application of IFRS 9 will not have a material impact on the trade receivables as at 1 January 2018 as the probability of default is immaterial. Specifically, fixed bank deposit and bank balances and cash are also subject to the impairment requirements of IFRS 9 and due to their nature, the expected loss allowance is immaterial.

3. REVENUE AND SEGMENT INFORMATION

The Group is engaged in (1) Technical Sales and Distribution of Electronic Gaming Equipment, (2) Consultancy and Technical Services and (3) Repair Services.

For the purpose of resources allocation and performance assessment, the chief operating decision maker ("**CODM**") reviews the overall results and financial position of the Group as a whole prepared. Accordingly, the Group has only one single operating segment and no further discrete financial information nor analysis of this single segment is presented.

Revenue from major products and services

	Six months ended 30 June		Three months ended 30 June	
	2018	2017	**2018**	2017
	HK$	*HK$*	***HK$***	*HK$*
	Unaudited	Unaudited	**Unaudited**	Unaudited
Technical Sales and Distribution of Electronic Gaming Equipment — recognise at a point in time	**20,448,332**	32,620,001	**7,459,703**	17,185,507
Consulting and Technical Services				
— recognise at a point in time	**–**	3,785,693	**–**	3,665,321
— recognise over time	**1,094,994**	1,704,231	**582,789**	46,777
Repair Services — recognise at a point in time	**998,499**	1,462,671	**570,910**	646,946
	22,541,825	39,572,596	**8,613,402**	21,544,551

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

3. REVENUE AND SEGMENT INFORMATION – *continued*

Geographical information

The following table sets forth a breakdown of the Group's revenue during the period based on locations of the external customers:

	Six months ended 30 June		Three months ended 30 June	
	2018	2017	**2018**	2017
	HK$	*HK$*	***HK$***	*HK$*
	Unaudited	Unaudited	**Unaudited**	Unaudited
Macau SAR	**22,403,357**	36,074,790	**8,474,934**	18,046,745
Malaysia	**–**	3,497,806	**–**	3,497,806
Singapore	**90,797**	–	**90,797**	–
Hong Kong Special Administrative Region ("Hong Kong SAR")	**47,671**	–	**47,671**	–
	22,541,825	39,572,596	**8,613,402**	21,544,551

The Group primarily operates in Macau SAR and substantially all of the non-current assets of the Group are located in Macau SAR. Accordingly, no geographical information on non-current asset has been presented.

4. OTHER INCOME, GAINS AND LOSSES

	Six months ended 30 June		Three months ended 30 June	
	2018	2017	**2018**	2017
	HK$	*HK$*	***HK$***	*HK$*
	Unaudited	Unaudited	**Unaudited**	Unaudited
Bank interest income	**36,432**	641	**21,420**	115
Commission income	**–**	87,317	**–**	87,317
Net foreign exchange loss	**(210,354)**	(9,907)	**(229,244)**	159,745
Service handling income	**–**	286,274	**–**	–
Others	**25,190**	59,114	**24,446**	53,050
	(148,732)	423,439	**(183,378)**	300,227

5. INCOME TAX EXPENSE

	Six months ended 30 June		Three months ended 30 June	
	2018	2017	**2018**	2017
	HK$	*HK$*	***HK$***	*HK$*
	Unaudited	Unaudited	**Unaudited**	Unaudited
Current tax:				
Macau SAR Complementary Tax	**–**	1,515,008	**–**	864,771

The Group is subject to Macau SAR Complementary Tax at a rate of 12% on the assessable income exceeding Macau Pataca ("**MOP**") MOP600,000 (equivalent to approximately HK$583,000) for both periods.

The Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands pursuant to the rules and regulation in those jurisdictions.

6. (LOSS) PROFIT FOR THE PERIOD

	Six months ended 30 June		Three months ended 30 June	
	2018	2017	**2018**	2017
	HK$	*HK$*	***HK$***	*HK$*
	Unaudited	Unaudited	**Unaudited**	Unaudited
(Loss) profit for the period has been arrived at after charging:				
Directors' remuneration	**1,278,874**	374,150	**639,437**	206,747
Other staff costs				
— salaries and allowances	**4,821,205**	3,132,749	**2,675,758**	1,702,021
— retirement benefits scheme contributions	**15,670**	13,505	**7,806**	6,573
	6,115,749	3,520,404	**3,323,001**	1,915,341
Depreciation of property and equipment	**385,498**	108,292	**328,260**	51,054
Cost of inventories recognised as an expense	**14,712,315**	19,598,450	**4,598,623**	10,554,626
Minimum lease payment in respect of rented premises	**795,367**	348,054	**339,530**	203,775
Allowance for doubtful debts	**574,334**	–	**–**	–

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For the six months ended 30 June 2018

7. DIVIDEND

No dividend was paid, declared nor proposed during the Period (2017: dividend of HK$6,500,000 paid). The directors of the Company have determined that no dividend will be paid in respect of the interim period.

8. (LOSS) EARNINGS PER SHARE

The Company was listed on GEM of the Stock Exchange on 15 November 2017 by way of share offer of 250,000,000 new shares and capitalisation of 749,997,500 shares, resulting in 1,000,000,000 ordinary shares in issue. The calculation of the basic (loss) earnings per share for each of the periods ended 30 June 2017 and 2018 is based on the following data:

	Six months ended 30 June		**Three months ended 30 June**	
	2018	2017	**2018**	2017
	HK$	*HK$*	***HK$***	*HK$*
	Unaudited	Unaudited	**Unaudited**	Unaudited
(Loss) earnings				
(Loss)earnings for the period for the purpose of basic (loss)earnings per share	**(5,015,661)**	4,358,851	**(3,266,904)**	3,853,295

	2018	2017	**2018**	2017
	'000	*'000*	***'000***	*'000*
Number of Shares				
Weighted average number of ordinary shares for the purpose of calculating basic (loss) earnings per share	**1,000,000**	750,000	**1,000,000**	750,000

The number of ordinary shares for the purpose of calculating basic earnings per share for the six months ended 30 June 2017 has been retrospectively adjusted for the capitalisation issue of the shares of the Company completed on 15 November 2017 and assuming that the reorganisation had been effective on 1 January 2017.

No diluted earnings per share for the period was presented as there were no potential ordinary shares in issue during both periods.

9. PROPERTY AND EQUIPMENT

	At 30 June 2018 ***HK$*** **Unaudited**	At 31 December 2017 *HK$* Audited
Carrying values		
Leasehold improvements	**4,042,502**	1,052
Furniture, fixtures and equipment	**437,490**	17,648
Electrical equipment	**56,248**	70,394
Computers	**603,158**	159,296
Motor vehicles	**322,000**	370,800
Total	**5,461,398**	619,190

During the period, the Group incurred HK$5,227,706 (2017: HK$451,392) on acquisition of property and equipment to expand and upgrade its facilities.

10. INVENTORIES

	At 30 June 2018 ***HK$*** **Unaudited**	At 31 December 2017 *HK$* Audited
Spare parts	**2,930,857**	779,948
Finished goods	**–**	677,117
Goods in transit	**2,195,415**	–
	5,126,272	1,457,065

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For the six months ended 30 June 2018

11. TRADE AND OTHER RECEIVABLES

	At 30 June 2018 **HK$** **Unaudited**	At 31 December 2017 HK$ Audited
Trade receivables, net	**11,163,001**	18,104,896
Purchase and trial products deposits	**4,885,481**	3,183,188
Prepayment and deposits	**685,107**	628,012
Other receivables	**67,256**	61,167
	16,800,845	21,977,263

The Group allows an average credit period of 30 days to its trade customers throughout the period/year.

The following is an aging analysis of trade receivables presented based on the invoice date at the end of the reporting period.

	At 30 June 2018 **HK$** **Unaudited**	At 31 December 2017 HK$ Audited
0 – 30 days	**3,298,082**	16,865,804
31 – 60 days	**2,816,966**	433,931
61 – 90 days	**128,500**	5,088
Over 90 days *(note)*	**5,493,787**	800,073
Less: allowance for doubtful debts *(note 12)*	**(574,334)**	–
	11,163,001	18,104,896

Note: As at 30 June 2018, for the amount of approximately HK$5,400,000 included in this category, the Group has re-assessed the credit risks and expected credit losses on these customers, and considered an allowance for doubtful debts of HK$574,334 was provided on the trade receivables as at 30 June 2018.

As at 31 December 2017, for an amount of approximately HK$780,000 included in this category, the Group has re-negotiated the credit terms with the customer and the amount will be settled in 5 instalments with the last instalment to be settled by 31 December 2018. As of the date of this report, the customer has settled the outstanding balance in accordance with the repayment schedule.

12. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS SUBJECT TO ECL MODEL

Since 1 January 2018, the directors apply the IFRS 9 simplified approach to measure ECL for all trade receivables. The directors have assessed the individual customer's settlement historical data and all available forward looking information as at 1 January 2018 and 30 June 2018. The Group concluded an allowance for doubtful debts of HK$574,334 on trade receivables as at 30 June 2018.

For bank balances as at 1 January 2018 and 30 June 2018, no impairment allowance was made since the directors consider the probability of default is negligible as such amounts are receivable from or placed in banks in Macau and Hong Kong having good reputation and are considered to have low credit risk.

13. TRADE AND OTHER PAYABLES

	At 30 June 2018	At 31 December 2017
	HK$	*HK$*
	Unaudited	Audited
Trade payables	**10,033,606**	13,416,801
Payables for listing expenses	**–**	807,806
Accrued staff costs	**101,081**	2,608,589
Other payables and accrued expenses	**2,239,434**	1,714,968
	12,374,121	18,548,164

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For the six months ended 30 June 2018

13. TRADE AND OTHER PAYABLES – *continued*

The credit period on trade payables is ranging from 30 to 60 days. The aging analysis of the Group's trade payables below is presented based on the invoice date (or date of cost incurred, if earlier) at the end of the reporting period:

	At 30 June 2018 *HK$* Unaudited	At 31 December 2017 *HK$* Audited
0 – 30 days	**3,564,249**	9,893,195
31 – 90 days	**4,067,521**	1,141,113
Over 90 days	**2,401,836**	2,382,493
	10,033,606	13,416,801

14. CONTRACT LIABILITIES

Contract liabilities represent the non-refundable deposits received from customers for future gaming machines and equipment, and consultancy services to be provided by the Group. These goods or services are expected to be recognised as revenue to the customers within one year.

15. AMOUNT DUE TO A RELATED PARTY

Details of the amount due to related party disclosed pursuant to the Hong Kong Companies Ordinance are as follows:

Name of related company	**Relationship**	**At 30 June 2018 *HK$* Unaudited**	At 31 December 2017 *HK$* Audited
Kuawai Technology Limited ("Kuawai") *(Note a)*	Kuawai is an entity owned by two relatives of a key management personnel of Asia Pioneer Entertainment Limited *(Note b)*	**38,000**	–

Notes:

(a) Amount represents the trade payable for purchase of spare parts.

(b) The Group's business is conducted through its wholly-owned subsidiaries, namely Asia Pioneer Entertainment Limited ("APE Macau").

15. AMOUNT DUE TO A RELATED PARTY – *continued*

The credit period on trade payable is 30 days. The aging analysis of the Group's trade payables to Kuawai is presented based on the invoice date (or date of cost incurred, if earlier) at the end of the reporting period:

	At 30 June 2018	At 31 December 2017
	HK$	*HK$*
	Unaudited	Audited
31 – 90 days	**38,000**	–

16. SHARE CAPITAL

The movements in the Company's authorised and issued ordinary share capital are as follows:

	Par value	**Number of shares**	**Share capital**
	HK$		*HK$*
Ordinary shares			
Authorised:			
— On date of incorporation on 22 February 2017	0.01	1,000,000	10,000
— Increase on 25 October 2017 *(note ii)*	0.01	9,999,000,000	99,990,000
As at 31 December 2017 (audited) and 30 June 2018 (unaudited)	0.01	10,000,000,000	100,000,000
Issued:			
— 1 share allotted and issued at par on the date of incorporation	0.01	1	–
— Issue of shares *(note i)*	0.01	2,499	25
— Capitalisation issue *(note iii)*	0.01	749,997,500	7,499,975
— Issuance of ordinary shares upon listing *(note iv)*	0.01	250,000,000	2,500,000
As at 31 December 2017 (audited) and 30 June 2018 (unaudited)	0.01	1,000,000,000	10,000,000

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

16. SHARE CAPITAL – *continued*

Notes:

i. On 14 March 2017, pursuant to a share swap agreement dated 14 March 2017, the Company acquired the entire 75,000 shares in APE BVI from Mr. Ng, Mr. Huie, Avanzare Limited (which is wholly owned by Mr. Chan) and Ms. Kong Kam Pui ("**Ms. Kong**") respectively, in consideration of 2,416 shares and 83 shares credited as fully paid at par, being allotted and issued to APE HAT Holdings Limited and Ms. Kong, respectively.

ii. Pursuant to the written resolutions of the shareholders of the Company passed on 25 October 2017, the authorised share capital of the Company was increased from HK$10,000 divided into 1,000,000 shares of a par value of HK$0.01 each to HK$100,000,000 divided into 10,000,000,000 shares of a par value of HK$0.01 each by the creation of an additional 9,999,000,000 shares.

iii. On 15 November 2017, the Company capitalised a sum of HK$7,499,975 standing to the credit of the share premium account of the Company and appropriated such amount as to capital to pay up in full at par 749,997,500 shares for allotment and issue to the persons whose names appeared on the register of members of the Company immediately before the listing of the shares of the Company on GEM of the Stock Exchange.

iv. On 15 November 2017, the Company issued a total of 250,000,000 ordinary shares of a par value of HK$0.01 each pursuant to the global offering at the price of HK$0.28 per share and the Company's shares were listed on GEM of the Stock Exchange on 15 November 2017.

The newly issued shares rank pari passu in all respects with the existing shares.

17. OPERATING LEASE COMMITMENTS

The Group as lessee

At the end of period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	At 30 June 2018 ***HK$*** **Unaudited**	At 31 December 2017 *HK$* Audited
Within one year	**1,124,850**	1,172,159
In the two to five years	**3,843,900**	4,214,634
	4,968,750	5,386,793

Operating lease payments represent rentals payable by the Group for certain of its offices and car parks. Leases are negotiated for an average term of five years (as at 31 December 2017: five years) which are non-cancellable and rentals are fixed throughout the lease period.

18. CAPITAL COMMITMENT

	At 30 June 2018 ***HK$*** **Unaudited**	At 31 December 2017 *HK$* Audited
Capital expenditure in respect of the new office contracted for but not provided in the condensed consolidated financial statements		
— computer system	**1,800,000**	–
— leasehold improvement	**–**	4,067,961
	1,800,000	4,067,961

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

19. RELATED PARTY TRANSACTIONS

Apart from details of the balances with related parties disclosed in the condensed consolidated statement of financial position and other details disclosed elsewhere in the unaudited condensed consolidated financial statements, the Group also entered into the following significant transactions with related parties during the period:

Name of related company	Nature of transaction	Six months ended 30 June		Three months ended 30 June	
		2018	2017	**2018**	2017
		HK$	*HK$*	***HK$***	*HK$*
		Unaudited	Unaudited	**Unaudited**	Unaudited
Tai Pong Fat Construction and Investment Company Limited ("**Tai Pong Fat**") *(Note a)*	Rental expense	**54,757**	82,136	**27,379**	41,068
Kuawai *(Note b)*	Outsourcing fees on repair services to the Group	**–**	1,221,807	**–**	524,914
	Purchase of spare parts	**38,000**	91,520	**38,000**	–

Notes:

(a) Tai Pong Fat is partly owned by Mr. Ng, Man Ho Herman ("**Mr. Ng**"), an executive director of the Company who has significant influence over Tai Pong Fat.

(b) Kuawai is an entity owned by two relatives of a key management member of APE Macau.

BUSINESS REVIEW

The Group is a total solutions provider of Electronic Gaming Equipment ("**EGE"**) for land based casinos in Macau as well as other regions in Asia. EGE principally includes electronic table game(s) ("**ETG(s)**") and electronic gaming machine(s) ("**EGM(s)**"). The Group's business can be segmented into: (i) the technical sales and distribution of EGE to land based casinos, (ii) the provision of consulting and technical services and (iii) the provision of repair services to casino operators.

The Group's business is conducted through its wholly-owned subsidiaries, including Asia Pioneer Entertainment Limited ("**APE Macau**"). APE Macau is the operating company of the Group, which operates the core businesses in Macau. For the Period, APE Macau's revenue represented all of the revenue of the Group.

The Group's strategic objective is to further strengthen its distribution of EGE in Macau whilst at the same time continuing to extend its business into Southeast Asia markets. The issued Shares were successfully listed on GEM of the Stock Exchange on 15 November 2017. The net proceeds raised from the Listing have strengthened the Group's financial position and we shall implement our future plans according to the details as disclosed in the section headed "Statement of Business Objectives and Use of Proceeds" in the Prospectus.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's business and results of operation are highly dependent on the demand of casinos, particularly at the time of new casino openings and replacement of used EGE. A significant portion of the Group's revenue was generated by technical sales and distribution of EGE. Thus, the Group's revenue is also highly dependent on the supplies from its suppliers. Instead of relying on gaming machine agents to supply their products to casino operators in Macau, some manufacturers of EGE choose to supply EGE to casino operators in Macau by direct sales. If any of the Group's existing suppliers decides to supply EGE to casino operators in Macau directly without engaging us, the Group's business, financial condition and results of operations could be materially and adversely affected. In addition, other manufacturers of EGE that wish to enter into the Macau market in the future may choose to make direct sales to casino operators in Macau by obtaining the relevant approval from the Direcção de Inspecção e Coordenação de Jogos (the Gaming Inspection and Coordination Bureau of Macau). The Group will then face increased competition and its business, financial condition and results of operations may be materially and adversely affected.

MANAGEMENT DISCUSSION AND ANALYSIS

FORWARD OUTLOOK

As most of the new Macau casino openings were completed (Lisboa Palace delayed to in late 2019 or early 2020), the demand for new EGE equipment may slow in the second half of 2018. Management focuses on machine replacement market which we believe the total market demand to be around 2000 units (seats) per annum. In the consulting business management continues to pursue consulting project income to assist manufacturers to bring new gaming products to the market.

In early May 2018, the Company's headquarters and principal place of business in Macau have moved to a new 18,000 sq.ft. premises comprising integrated office/workshop and warehouse, which allows our different team members to work more efficiently and enhances the overall work environment. Management looks forward to the rest of 2018.

FINANCIAL REVIEW

Revenue

The revenue of the Group decreased by approximately 43% from approximately HK$39.6 million for the Corresponding Period to approximately HK$22.6 million for the Period. The sharp decrease in revenue was mainly attributed to the decrease of income derived from technical sales and distribution of EGE and EGMs and the provision of consulting and technical services of approximately 37% and 80% respectively for the Period as compared with those for the Corresponding Period.

The following table sets forth the revenue from major products and services of the Group for the Period and Corresponding Period:

Revenue from major products and services	Six months ended 30 June		Period-on-period change
	2018	2017	
	HK$	*HK$*	*%*
Technical sales and distribution of electronic gaming machines and equipment	**20,448,332**	32,620,001	-37%
Consulting and technical services	**1,094,994**	5,489,924	-80%
Repair services	**998,499**	1,462,671	-32%
TOTAL	**22,541,825**	39,572,596	-43%

Technical sales and distribution of EGE

During the Period, The Group had launched 12 trials of products with casino customers, of which 4 trials passed and 3 trials failed, 3 trials was extended and 2 are further ongoing. During the Period, 6 direct sales resulted in income of HK$13.4 million. In terms seats sold, the Group sold a total number of 127 seats during the Period compared with 187 seats during the Corresponding period, a decrease of 32% in seats sold.

Sales by seats	Six months ended 30 June 2018	2017	Period on Period change %
ETG(s)	75	138	-46%
EGM(s)	52	49	6%
Total	127	187	-32%

The reasons for the decrease in revenue for technical sales of EGE are attributable to: (i) a decrease of total number of seats sold by 32% during the Period versus the Corresponding Period (ii) a drop in gross margins from 39.7% from the Corresponding Period to 23.1% in the Period. and ,(iii) the 3 failed trials during the Period resulting in a decrease of revenue of HK$7.2 million.

Gross Margins on sale of EGE decreased to 23% over the Period (the Corresponding Period: gross margin 39.7%). The reason for the decline in gross margin was attributed to lower overall selling prices in the Period compared to the Corresponding Period.

Consultancy and technical services

Consultancy and technical services revenue decreased by 80% between the Period and the Corresponding Period. The Group had a total of 5 consultancy contracts during the corresponding Period and the Group has currently 3 ongoing consultancy contracts in the Period. In June 2018, the Group has secured a new consulting contract which is expected to recognise revenue in second half of 2018. Going forward management expects to secure another consulting agreement with a existing customer to provide research and development of new casino game features for the Macau market.

MANAGEMENT DISCUSSION AND ANALYSIS

Repair Services

Repair revenue dropped by 31.7% to approximately HK$998,499 for the Period (the Corresponding Period : HK$1.4m). This was due to one casino customer moving their repair business in-house in 2018. The gross margins for repairs improved to 59% for the Period from 15% for the Corresponding Period. This was due to a reorganisation in September 2017 which took our outsourced repairs in in-house with our own repair centre and technicians. Looking froward, management expects that the increase in capacity of EGE in Macau market will result in increasing repairs business for the Group.

Gross Profit and Gross Profit Margin by Revenue Streams

The following table sets forth the breakdown of the Group's gross profit margins by income segmentation for the Period and the Corresponding Period:

For the six months ended 30 June 2018

Breakdown by revenue streams	**Technical sales and distribution of EGE** *HK$*	**Consulting and technical services** *HK$*	**Repairs services** *HK$*	**Total** *HK$*
Revenue	**20,448,332**	**1,094,994**	**998,499**	**22,541,825**
Cost of sales and services	**(15,730,519)**	**(631,127)**	**(411,238)**	**(16,772,884)**
Gross profit	**4,717,813**	**463,867**	**587,261**	**5,768,941**
Gross Profit ratio	**23.1%**	**42.4%**	**58.8%**	**25.6%**

For the six months ended 30 June 2017

Breakdown by revenue streams	Technical sales and distribution of EGE *HK$*	Consulting and technical services *HK$*	Repairs services *HK$*	Total *HK$*
Revenue	32,620,001	5,489,924	1,462,671	39,572,596
Cost of sales and services	(20,121,887)	(684,910)	(1,244,557)	(22,051,354)
Gross profit	12,498,114	4,805,014	218,114	17,521,242
Gross Profit ratio	39.7%	87.5%	14.9%	44.3%

For the Period, gross profit margin reduced from approximately 44.3% for the Corresponding Period to approximately 25.6% for the Period. The decrease in gross margin is attributed to (i) the reduction of gross margins for technical sales & distribution of EGE due to lower average selling prices, and (ii) the reduction in gross margins in consulting and technical services due to increase in average staff costs.

Other Income, Gains and Losses

The Group incurred foreign exchange loss of HK$210,354 for the Period (the Corresponding Period: loss HK$9,907) due to the appreciation of European dollar ("**EUR**") against Hong Kong dollar ("**HKD**"). The service handling income for a customer during the Corresponding Period was being discontinued in the Period.

Operating Expenses

The Group's operating expenses increased by approximately 106% from approximately HK$5.1 million for the Corresponding Period to approximately HK$10.6 million for the Period. This increase was mainly due to the increases in Directors' remuneration and other staff costs as well as other general operating expenses.

Profit and Loss

The Group recorded net loss attributable to the Shareholders of approximately HK$5.0 million for the Period compared to a net profit of approximately HK$4.3 million for the Corresponding Period.

The large move from profit to loss was mainly due to a sharp drop in overall gross profit margin to approximately 25.6% for the Period, for corresponding period 44.3%, a 43% drop in total revenue for the comparable periods, and an increase in operating expenses.

MANAGEMENT DISCUSSION AND ANALYSIS

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

The following table is a comparison between the Group's business objectives as set out in the Prospectus and the Group's actual business progress during the Period.

Business objectives	Actual business progress
Securing more trial products and increasing sales	APE continues to secure more trials from customers and are hopeful that trial products will lead to increase in sales
Capturing future opportunities in the gaming market by leasing EGE to casino operators in Macau	APE has pitched leasing of EGEs to casino operators in Macau but as of this stage no commercial terms have been reached
Capitalising on the potential demand in Southeast Asia for refurbished EGE	APE was able to complete a sale of refurbished EGEs at the end 2017. APE continues to seek for opportunities to purchase used machines for refurbished sales
Expanding the Group's sales and marketing team and technical team	APE has expanded its sales team for South East Asia and also increased technical and repairs staff
Relocating to new office premises with workshop	APE relocated to new premises in May 2018
Improving the Group's operating efficiency through new Enterprise Resource Planning (the "**ERP**") system and purchasing of tools and equipment	APE is developing an ERP system through outsource to IT consultants to enhance workflow processes , APE has purchased new equipment to improve repairs business

USE OF PROCEEDS FROM LISTING

The net proceeds from the Listing (the "**Net Proceeds**") received by the Company after deducting underwriting fees and other Listing expenses were approximately HK$40.0 million. The intended uses of the Net Proceeds are disclosed in the section headed "Statement of Business Objectives and Use of Proceeds" in the Prospectus. Unitised Net Proceeds as at 30 June 2018 amounted to approximately HK$27.7 million, and are deposited in a licensed bank in Hong Kong. The Company intends to use the remaining Net Proceeds in the coming years in accordance with the purposes set out in the Prospectus.

As at 30 June 2018, the Group has utilised the Net Proceeds as follows:

	Percentage to total amount	Intended use of Net Proceeds	Utilised amount	Unutilised amount
		HK$ million	*HK$ million*	*HK$ million*
Upfront deposits for manufacturers to provide more trial products *(Note (1))*	41.5%	16.60	2.55	14.05
Procuring EGE for lease to casino operators in Macau *(Note (2))*	17.8%	7.10	–	7.10
Procuring and refurbishment of used EGE for resales *(Note (3))*	13.2%	5.30	4.53	0.77
Enhancing market recognition in Macau and Southeast Asia and strengthening in-house capability to provide repair services *(Note (4))*	17.3%	6.90	1.80	5.10
Relocation of premises *(Note (5))*	0.7%	0.30	0.30	–
Purchase of tools and equipment and new ERP system *(Note (6))*	6.8%	2.70	1.98	0.72
General working capital	2.7%	1.10	1.10	–
	100%	40.00	12.26	27.74

Notes:

(1) Management exercises discretion on trials, pursuing trials only where there is a higher chance of passing.

(2) Management has discussed with 2 operators on leasing; both cases did not lead to any lease agreement.

(3) Procurement is based on the availability of used slot inventory in Macau.

(4) The Group has raised profile with ad-spend in industry media. The Company has engaged independent consultant in Southeast Asia to promote the Company there.

(5) The Company successfully relocated premises in May 2018.

(6) ERP system budget is HK$1.8 million in total, payable in progress stage payments. ERP testing will commence in late third quarter of 2018.

LIQUIDITY, FINANCIAL RESOURCES, GEARING RATIO AND CAPITAL STRUCTURE

During the Period, the Group financed its operations by its internal resources. As at 30 June 2018, the Group had net current assets of approximately HK$84.4 million compared with approximately HK$11.7 million as at 31 December 2017. The increase in net current assets was mainly attributed to the public offer and placing completed in November 2017, which raised net cash of approximately HK$40.0 million. As at 30 June 2018, the Group had no bank borrowings, bank overdrafts, bank loans nor other banking facility. Gearing ratio (which is calculated by dividing total debt by total equity) was not applicable to the Group as at 30 June 2018. As at 30 June 2018, the capital structure of the Company comprised issued share capital and reserves. There has been no change in the capital structure of the Company since 31 December 2017. The capital structure refers to the maturity profile of debt and obligation, type of capital instrument used, currency and interest rate structure.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in the sections headed "Statement of Business Objectives and Use of Proceeds" in the Prospectus, the Group did not have other plans for material investment or capital assets as at 30 June 2018.

SIGNIFICANT INVESTMENTS OR MATERIAL ACQUISITIONS AND DISPOSALS

The Group did not make any significant investment or material acquisition and disposal during the Period.

CONTINGENT LIABILITIES

As at 30 June 2017 and 2018, the Group did not have any material contingent liabilities.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2018, the Group had a total of 32 employees (30 June 2017: 30). Employee remuneration package is based on the previous working experience and actual performance of individual of employees. Apart from the basic salary, discretionary bonus and allowance will be granted to employees based on their individual performance approved by the executive Directors. For the Period, the Group incurred staff costs, including Directors' remuneration of approximately HK$4.7 million (30 June 2017: approximately HK$2.4 million). The Company has adopted a share option scheme on 25 October 2017 for the purpose of recognising and acknowledging the contribution of employees and directors of the Group and other selected participants. The Group provides ongoing on-the-job training to its employees to enhance their performance and improve their technical expertise. Apart from internal training, EGE manufacturers also provide external trainings to the Group's employees, covering topics such as the operation and features of their products.

CAPITAL COMMITMENTS

In February 2018, the Group signed an agreement for the development of an Enterprise Resource Planning (ERP) system to be delivered by 31 December 2018. As at 30 June 2018, capital commitment was approximately HK$1.8 million in hardware and software cost. The payment accrued in the Period amounted to HK$1.4 million in progress payments.

CHARGES ON GROUP'S ASSETS

As at 30 June 2018, the Group had no charges on its assets (30 June 2017: nil).

TREASURY POLICIES

The Directors will continue to follow a prudent policy in managing the Group's cash balances and maintain a strong and healthy liquidity to ensure that the Group is well-placed to take advantage of future growth opportunities. As at 30 June 2018, all cash on hand was deposited with licensed financial institutions.

CUSTOMER AND SUPPLIER RELATIONSHIPS

The Group's major customers are mostly casino operators in Macau and listed on the Stock Exchange. The Group is committed to building long term and stable business relationships with existing customers through its sales and marketing department and technical service team. The Group also maintains good relationships with its suppliers. The Group has long term relationships with a selected number of suppliers who distribute on an exclusive territorial or a non-exclusive basis.

Revenue attributed from customers that accounted for 10% or more of the Group's revenue during the Period is as follows:

	Six months ended 30 June	
	2018	2017
	HK$	*HK$*
	Unaudited	Unaudited
Customer A	**11,538,795**	N/A#
Customer B	**3,964,081**	3,896,971
Customer C	**2,564,148**	4,615,644
Customer D	**2,261,711**	15,853,588

The corresponding revenue did not contribute over 10% of the Group's revenue.

Purchases from suppliers that accounted for 10% or more of the Group's purchase during the Period is as follows:

FOREIGN CURRENCY EXPOSURE

The Group bills its customers mainly in United States dollars ("**USD**"), HK$ and MOP. The main exposure to foreign currency fluctuations is through ordering from a major European supplier with invoices denominated in EUR. For the Period, the Group reported a net foreign exchange loss of HK$210,354. This was attributable to the strengthening of the EUR against USD by approximately 5% during the Period, which impacted our EUR payables to its major European supplier. The Group will closely monitor its foreign exchange exposure and will consider hedging significant currency exposure should the need arise.

DIVIDEND

The Board has resolved not to declare the payment of an interim dividend for the Period. (The Corresponding Period: HK$6.5 million was declared and paid by APE BVI to its shareholders).

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2018, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "**SFO**"), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be recorded in the register referred to therein; or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules to be notified to the Company and the Stock Exchange, were as follows:

Long Position in the Shares

Name of Directors/ Chief executive	Capacity/Nature of interest	Number of Shares/ underlying Shares interested	Approximate percentage of the Company's issued Shares*
Mr. Huie, Allen Tat Yan ("**Mr. Huie**")	Interest of a controlled corporation and interest held jointly with other persons	725,100,000	72.51%
Mr. Ng Man Ho Herman ("**Mr. Ng**")	Interest of a controlled corporation and interest held jointly with other persons	725,100,000	72.51%

Note: The Company is owned as to 72.51% by APE HAT Holdings Limited ("**APE HAT**") which is beneficially owned as to 39.68%, 39.68% and 20.64% by Mr. Huie, the chairman of the Board and an executive Director, Mr. Ng, the chief executive officer of the Company and an executive Director and Mr. Chan Chi Lun ("**Mr. Chan**"), respectively. Pursuant to a deed of concert parties dated 10 March 2017 (the "**Deed of Concert Parties**"), and entered into by Mr. Huie, Mr. Ng and Mr. Chan, each of them has agreed and confirmed, among other things, that they have been cooperating with each other and acting in concert (for the purpose of the Code on Takeovers and Mergers of Hong Kong) since 1 January 2015 and will continue to act in the same manner in the Group upon the Listing. By virtue of the SFO, Mr. Huie, Mr. Ng and Mr. Chan are deemed to be interested in the Shares held by APE HAT.

* The percentage represents the total number of the Shares and the number of the underlying Shares interested divided by the number of issued Shares as at 30 June 2018 (i.e. 1,000,000,000 Shares).

Long Position in the ordinary shares of Associated Corporation

Name of Directors/ Chief executive	Name of associated corporation	Capacity/Nature of interest	Number of shares held	Approximate percentage of interest
Mr. Huie *(Note (2))*	APE HAT *(Note (1))*	Beneficial owner	992	39.68%
Mr. Ng *(Note (2))*	APE HAT *(Note (1))*	Beneficial owner	992	39.68%

Notes:

(1) APE HAT is a direct Shareholder and is an associated corporation of the Company within the meaning of Part XV of the SFO.

(2) Each of Mr. Huie and Mr. Ng is a director of APE HAT.

Save as disclosed above, as at 30 June 2018, none of the Directors nor the chief executive of the Company had any interests and short positions in the Shares, underlying Shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be recorded in the register referred to therein; or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES

As at 30 June 2018, so far as is known to the Directors, the following entities or persons, other than the Directors and the chief executive of the Company, had interests or short positions in the Shares and underlying Shares as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Long Position in the Shares

Name of Shareholders	Capacity/Nature of interest	Number of Shares interested or held	Approximate percentage of the Company's issued Shares*
APE HAT *(Notes (1) & (2))*	Beneficial owner	725,100,000	72.51%
Mr. Chan *(Note (3))*	Interest of a controlled corporation and interest held jointly with other persons	725,100,000	72.51%

Notes:

(1) APE HAT is a direct Shareholder.

(2) APE HAT is beneficially owned as to 39.68%, 39.68% and 20.64% by Mr. Huie, Mr. Ng and Mr. Chan, respectively.

(3) Pursuant to the Deed of Concert Parties, amongst others, Mr. Chan is deemed to be interested in the Shares in which APE HAT is interested by virtue of the SFO.

* The percentage represents the total number of Shares interested divided by the number of issued Shares as at 30 June 2018 (i.e. 1,000,000,000 Shares).

Save as disclosed above, as at 30 June 2018, so far as is known by or otherwise notified to the Directors, no other entity or person (other than a Director or the chief executive of the Company) had interests and short positions in the Shares and underlying Shares as required to be recorded in the register to be kept by the Company under Section 336 of the SFO.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN COMPETING BUSINESS

None of the Directors or the controlling shareholders (as defined under the GEM Listing Rules) of the Company or their respective close associates (as defined under the GEM Listing Rules) had interests in any business apart from the Group's business which had competed or was likely to compete, either directly or indirectly, with the businesses of the Group and any other conflicts of interest which any such person had or might have with the Group during the Period.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

During the Period, the Company has applied the principles and adopted all code provisions, where applicable, of the Corporate Governance Code contained in Appendix 15 to the GEM Listing Rules (the "**CG Code**"). The Company has complied with all applicable code provisions as set out in the CG Code during the Period.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the required standard of dealings in the securities (the "**Required Standard of Dealings**") as set out in Rules 5.48 to 5.67 of the GEM Listing Rules as its own code of conduct governing securities transactions by the Directors. Following a specific enquiry made by the Company on each of the Directors, all Directors have confirmed that they had fully complied with the Required Standard of Dealings during the Period.

COMPLIANCE ADVISER'S INTEREST IN THE COMPANY

As at 30 June 2018, as notified by the Company's compliance adviser, Southwest Securities (HK) Capital Limited (the "**Compliance Adviser**"), except for the compliance adviser agreement dated 16 March 2017 entered into between the Company and the Compliance Adviser, neither the Compliance Adviser nor its directors, employees or close associates (as defined under the GEM Listing Rules) had any interests in relation to the Company, which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the Period, the Company did not redeem any of its listed securities, nor did the Company or any of its subsidiaries purchase or sell such securities.

SHARE OPTION SCHEME

The Company adopted a share option scheme on 25 October 2017 (the "**Share Option Scheme**"), which became effective upon the commencement of dealings of the Shares on the Stock Exchange on 15 November 2017. The purpose of the Share Option Scheme is to recognise and acknowledge the contributions of the participants to the Group by granting options to them as incentives or rewards. The Board considers that the Share Option Scheme, with its broadened basis of participation, will enable the Group to reward the employees, the Directors and other selected participants for their contributions to the Group.

The Board may, at its discretion and on such terms as it may think fit, grant an option to any participant, including directors (including executive directors, non-executive directors and independent non-executive directors (the "INEDs"), executive, employee, consultant, adviser and/or agent of any member of the Group and any other person who has contributed to the success of the Listing, in each case, as determined by the Board.

The total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme must not exceed 100,000,000 Shares, representing 10% of the Shares in issue upon the Listing. The total number of the Shares issued and to be issued upon exercise of the options granted to each grantee (with the exception of the INEDs, the substantial shareholders and their respective associates (the "**Relevant Parties**")) under the Share Option Scheme (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the Shares in issue for the time being unless approval from the Shareholders in general meeting (the "**Shareholders' Approval**") is obtained with such grantee and his/her/its associates abstaining from voting. The Relevant Parties are subject to 0.1% of the Shares or a maximum of HK$5 million in respect of the value of the underlying Shares unless the Shareholders' Approval is obtained. The exercisable period of an option under the Share Option Scheme will be notified by the Board to each participant, which shall not exceed 10 years from the date upon which the option is deemed to be granted and accepted. The Board will determine the minimum period, which shall be no less than one year, for which an option must be held before it becomes exercisable. HK$1.00 is payable by a grantee on acceptance of the options. The subscription price for the Shares payable on the exercise of an option shall be a price determined by the Board at its absolute discretion and notified to a participant and shall be no less than the highest of (i) the closing price of the Shares as stated in the daily quotations sheet issued by the Stock Exchange on the date of grant of option(s), which must be a business day; (ii) the average of the closing prices of the Shares as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant of option(s); or (iii) the nominal value of a Share on the date of grant of option(s). The Share Option Scheme is valid for a period which commenced on 15 November 2017 and will expire at 5:00 p.m. on the business day preceding the tenth anniversary of such date.

CORPORATE GOVERNANCE AND OTHER INFORMATION

As at the date of this report, the Company has not granted or issued any option. Therefore, no options lapsed or were exercised or cancelled during the Period and there were no outstanding options as at 30 June 2018. Further details regarding the principal terms of the Share Option Scheme were included in the Prospectus under the section "Appendix IV Statutory and General Information — Share Option Scheme".

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

The Board is not aware of any material event requiring disclosure, that has taken place subsequent to the Period and up to the date of this report.

REVIEW BY AUDIT COMMITTEE

The Audit Committee was established with effect from the Listing Date with written terms of reference in compliance with code provision C.3 of the CG Code and Rules 5.28 to 5.33 of the GEM Listing Rules. The primary duties of the Audit Committee are, among other things, to make recommendations to the Board on the appointment, re-appointment and removal of external auditors and to review and monitor the financial reporting process, risk management and internal control systems of the Group. The Audit Committee currently comprises all the three INEDs, namely Mr. Choi Kwok Wai, Mr. Ma Chi Seng and Mr. Ho Kevin King Lun. Mr. Choi Kwok Wai is the chairman of the Audit Committee.

The Audit Committee has reviewed the unaudited Condensed Consolidated Financial Statements and this interim report and is of the view that such Statements and report have been prepared in compliance with the applicable accounting standards, the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures have been made.

By order of the Board
Asia Pioneer Entertainment Holdings Limited
HUIE, Allen Tat Yan
Chairman and Executive Director

Hong Kong, 13 August 2018

As at the date of this report, the executive Directors are Mr. HUIE, Allen Tat Yan (Chairman) and Mr. NG Man Ho Herman (Chief Executive Officer); and the INEDs are Mr. CHOI Kwok Wai, Mr. MA Chi Seng and Mr. HO Kevin King Lun.