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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)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2022**

The board of directors (the “**Directors**”) of Asia Pioneer Entertainment Holdings Limited (the “**Company**”) and together with its subsidiaries, the “**Group**”) announces the unaudited condensed consolidated financial results of the Group for the six months ended 30 June 2022 (the “**Period**”). This announcement, containing the full text of the 2022 interim report of the Company (the “**2022 Interim Report**”), complies with the relevant requirements of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM**” and the “**GEM Listing Rules**”, respectively) in relation to the information to accompany the preliminary announcement of interim results. The printed version of the 2022 Interim Report containing the information required by the GEM Listing Rules will be despatched to the shareholders of the Company and available for viewing on the websites of the Stock Exchange at www.hkexnews.hk and of the Company at www.apemacau.com in due course in the manner as required by the GEM Listing Rules.

For and on behalf of
Asia Pioneer Entertainment Holdings Limited
HUIE, Allen Tat Yan
Chairman and Executive Director

Hong Kong, 12 August 2022

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

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with 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 announcement 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 announcement misleading.

This announcement will remain on the “Latest Listed Company Information” page of the GEM website at www.hkgem.com for at least 7 days from the date of its publication. This announcement will also be published on the website of the Company at www.apemacau.com.

In case of any inconsistency between the English and Chinese versions, the English text of this announcement shall prevail over the Chinese text.

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

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.

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*This report, for which the directors of Asia Pioneer Entertainment Holdings Limited (the "**Company**") and together with its subsidiaries, the "**Group**" and 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.*

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2022 INTERIM RESULTS HIGHLIGHTS (UNAUDITED)

The board of Directors (the “**Board**”) announces the unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2022 (the “**Period**”), together with the unaudited corresponding figures for the six months ended 30 June 2021 (the “**Corresponding Period**”). The Group’s revenue decreased by 10.6% from approximately HK\$3.0 million for the Corresponding Period to approximately HK\$2.7 million for the Period.

During the Period, the Group’s gross profit decreased from approximately HK\$0.6 million for the Corresponding Period to gross loss of approximately HK\$0.9 million for the Period, representing a decrease of approximately 255.5%. The Group’s gross profit margin also decreased to gross loss margin of 32.7% for the Period compared to gross profit margin of 18.8% for the Corresponding Period.

The Group’s operating expenses decreased by 12.7% over the Period to approximately HK\$8.3 million (Corresponding Period: approximately HK\$9.5 million). This was primarily due to the decrease in operating and staff costs.

The Group’s total comprehensive loss for the Period increased to approximately HK\$9.8 million (Corresponding Period: approximately HK\$9.4 million), mainly due to the decrease in revenue.

The Board has resolved not to declare the payment of an interim dividend for the Period (Corresponding Period: Nil).

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	Notes	Three months ended 30 June		Six months ended 30 June	
		2022 HK\$ (unaudited)	2021 HK\$ (unaudited)	2022 HK\$ (unaudited)	2021 HK\$ (unaudited)
Revenue from contracts with customers	3	1,367,958	990,314	2,688,363	3,005,972
Cost of sales		(2,017,230)	(840,884)	(3,566,472)	(2,441,122)
Gross (loss)/profit		(649,272)	149,430	(878,109)	564,850
Other income, gains and losses	4	43,464	(8,352)	12,827	(30,089)
Write-down of inventories to net realisable value		(536,298)	(370,730)	(536,298)	(370,730)
Expected credit (loss)/reversal, net	5	(3,962)	(5,111)	1,948	(1,568)
Operating expenses		(4,318,412)	(4,798,993)	(8,305,157)	(9,516,316)
Finance costs		(30,996)	(19,647)	(55,931)	(41,186)
Loss before income tax		(5,495,476)	(5,053,403)	(9,760,720)	(9,395,039)
Income tax expense	6	–	–	–	–
Loss and total comprehensive expense for the period	7	(5,495,476)	(5,053,403)	(9,760,720)	(9,395,039)
		<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>
Loss per share					
Basic and diluted	9	(0.55)	(0.51)	(0.98)	(0.94)



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	Notes	As at 30 June 2022 HK\$ (unaudited)	As at 31 December 2021 HK\$ (audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property and equipment	10	2,554,839	1,769,683
Right-of-use assets	11	923,726	752,055
Deposit for property and equipment		171,652	401,881
Rental deposits	13	241,177	109,935
		3,891,394	3,033,554
Current assets			
Inventories	12	3,832,451	4,475,020
Trade and other receivables	13	5,102,512	5,346,518
Fixed bank deposit		40,384	40,304
Bank balances and cash		19,904,679	29,874,470
		28,880,026	39,736,312
Current liabilities			
Trade and other payables	14	2,884,375	3,036,773
Contract liabilities	15	367,595	–
Lease liabilities		1,327,802	1,798,667
Income tax payable		4,335,609	4,335,609
		8,915,381	9,171,049
Net current assets		19,964,645	30,565,263
Total assets less current liabilities		23,856,039	33,598,817
Non-current liability			
Lease liabilities		606,604	588,662
Net assets		23,249,435	33,010,155
EQUITY			
Share capital	17	10,000,000	10,000,000
Reserves		13,249,435	23,010,155
Total equity		23,249,435	33,010,155

The condensed consolidated interim financial statements on pages 3 to 26 were approved and authorised for issue by the board of directors of the Company on 12 August 2022 and are signed on its behalf by:

Mr. Huie, Allen Tat Yan
Director

Mr. Ng Man Ho Herman
Director

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	Share capital <i>HK\$</i>	Share premium* <i>HK\$</i>	Merger reserve* <i>HK\$</i>	Legal reserve* <i>HK\$</i>	Accumulated losses* <i>HK\$</i>	Total <i>HK\$</i>
As at 1 January 2022 (audited)	10,000,000	55,098,836	(3,416,148)	504,489	(29,177,022)	33,010,155
Loss and total comprehensive expense for the period	-	-	-	-	(9,760,720)	(9,760,720)
Balance as at 30 June 2022 (unaudited)	10,000,000	55,098,836	(3,416,148)	504,489	(38,937,742)	23,249,435
As at 1 January 2021 (audited)	10,000,000	55,098,836	(3,416,148)	504,489	(6,100,260)	56,086,917
Loss and total comprehensive expense for the period	-	-	-	-	(9,395,039)	(9,395,039)
Balance as at 30 June 2021 (unaudited)	10,000,000	55,098,836	(3,416,148)	504,489	(15,495,299)	46,691,878

* The reserves accounts comprise the Group's reserves of HK\$13,249,435 as at 30 June 2022 (31 December 2021: HK\$23,010,155) in the condensed consolidated statement of financial position.



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022 HK\$ (unaudited)	2021 HK\$ (unaudited)
Net cash used in operating activities	(8,193,570)	(7,147,651)
Investing activities		
Interest received	247	408
Placement of fixed bank deposit	(80)	(51)
Purchase of property and equipment	(791,022)	(790,954)
Deposit for property and equipment	(20,619)	–
Net cash used in investing activities	(811,474)	(790,597)
Financing activities		
Repayments of lease liabilities	(964,747)	(574,000)
Net cash used in financing activities	(964,747)	(574,000)
Net decrease in cash and cash equivalents	(9,969,791)	(8,512,248)
Cash and cash equivalents at the beginning of the period	29,874,470	48,207,999
Cash and cash equivalents at the end of the period	19,904,679	39,695,751

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2022

1. GENERAL INFORMATION AND BASIS OF PREPARATION

Asia Pioneer Entertainment Holdings Limited (the “**Company**”) is a limited liability company incorporated in the Cayman Islands on 22 February 2017. The address of the Company’s registered office is Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands. The principal place of business of the Company in Macau Special Administrative Region (“**Macau SAR**”) is located at EM Macau, Estrada Marginal do Hipódromo N°S 56-66, Industrial Lee Cheung F10. The issued shares of the Company have been listed on GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since 15 November 2017.

As at 30 June 2022, Mr. Huie, Allen Tat Yan, Mr. Ng Man Ho Herman and Mr. Chan Chi Lun collectively are the substantial shareholders of the Company.

The Company is an investment holding company. The Company and its subsidiaries (collectively, the “**Group**”) are principally engaged in the electronic gaming equipment business (the “**EGE Business**”) in the Macau SAR as well as other regions in Asia, which can be divided into three divisions:

- (i) 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**”);
- (ii) the provision of consultancy services to manufacturers of electronic gaming equipment including (a) regulatory consultancy; (b) product design and content consultancy; (c) localisation consultancy; and (d) on-site consultancy (“**Consultancy and Technical Services**”); and
- (iii) the provision of repair services to casino operators (“**Repair Services**”).

In the second half of 2021, the Group commences the smart vending machines (“**Smart VM**”) business (the “**Smart VM Business**”), which is principally engaged in sales of various Macau sourced products to consumers and travellers through Smart VM in the Macau SAR and the People’s Republic of China (the “**PRC**”).



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2022

1. GENERAL INFORMATION AND BASIS OF PREPARATION *(Continued)*

The condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” issued by the International Accounting Standards Board (“IASB”) and the applicable disclosure requirements of the Rules Governing the Listing of Securities on GEM of the Stock Exchange. The condensed consolidated interim financial statements do not include all of the information required in annual consolidated financial statements and should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 December 2021.

The condensed consolidated interim 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 condensed consolidated interim financial statements have been prepared on the historical cost basis. Other than additional accounting policies resulting from application of amendments to International Financial Reporting Standards (“IFRSs”) and application of certain accounting policies which became relevant to the Group, the accounting policies and methods of computation used in the condensed consolidated interim financial statements for the six months ended 30 June 2022 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2021.

Amended IFRSs that are effective for annual period beginning on 1 January 2022

The condensed consolidated interim financial statements for the six months ended 30 June 2022 have been prepared in accordance with the accounting policies adopted in the Group’s annual consolidated financial statements for the year ended 31 December 2021, except for the adoption of the following amended IFRSs which are effective as of 1 January 2022.

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 16	Property, Plant and Equipment — Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to IFRSs	Annual Improvements to IFRS Standards 2018-2020

The adoption of these amended IFRSs had no material impact on how the results and financial position of the Group for the current and prior periods have been prepared and presented.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2022

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Issued but not yet effective IFRSs

At the date of authorisation of these consolidated financial statements, certain new and amended IFRSs have been published but are not yet effective, and have not been adopted early by the Group.

IFRS 17	Insurance Contracts and related amendments ¹
Amendments to IFRS 3	Reference to the Conceptual Framework ³
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to IAS 1	Classification of Liabilities as Current or Non-current ¹
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to IAS 8	Definition of Accounting Estimates ¹
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹

¹ Effective for annual periods beginning on or after 1 January 2023

² Effective date not yet determined

³ Effective for business combinations for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2022

The directors of the Company anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning on or after the effective date of the pronouncement. These new and amended IFRSs are not expected to have a material impact on the Group's condensed consolidated interim financial statements.

3. REVENUE AND SEGMENT INFORMATION

3.1 Revenue

The Group's principal activities are disclosed in note 1 of the condensed consolidated interim financial statements. Revenue of the Group is the revenue from these activities.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2022

3. REVENUE AND SEGMENT INFORMATION (Continued)

3.1 Revenue (Continued)

Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services over time and at a point in time, details of the Group's primary geographical markets and timing of revenue recognition during the six months ended 30 June 2022 and 2021 were as follows:

	EGE Business			Smart VM Business	
	Technical Sales and Distribution of Electronic Gaming Equipment HK\$ (unaudited)	Consultancy and Technical Services HK\$ (unaudited)	Repair Services HK\$ (unaudited)	Smart VM HK\$ (unaudited)	Total HK\$ (unaudited)
For the six months ended 30 June 2022					
Types of goods or services					
Technical Sales and Distribution of Electronic Gaming Equipment					
— Spare parts	612,056	-	-	-	612,056
Consultancy and Technical Services					
— Technical supports	-	715,547	-	-	715,547
— Consultancy services	-	638,336	-	-	638,336
	-	1,353,883	-	-	1,353,883
Repair Services	-	-	251,083	-	251,083
Smart VM					
— Sale of own goods	-	-	-	464,759	464,759
— Consignment sale	-	-	-	6,582	6,582
	-	-	-	471,341	471,341
Total	612,056	1,353,883	251,083	471,341	2,688,363
Geographical markets					
Macau SAR	462,656	1,353,883	251,083	444,870	2,512,492
South Korea	74,484	-	-	-	74,484
The PRC	20,120	-	-	26,471	46,591
Others	54,796	-	-	-	54,796
Total	612,056	1,353,883	251,083	471,341	2,688,363
Timing of revenue recognition					
At a point in time	612,056	46,038	251,083	471,341	1,380,518
Over time	-	1,307,845	-	-	1,307,845
Total	612,056	1,353,883	251,083	471,341	2,688,363

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2022

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

3.1 Revenue *(Continued)*

Disaggregation of revenue from contracts with customers (Continued)

	EGE Business			Smart VM Business	Total HK\$ (unaudited)
	Technical Sales and Distribution of Electronic Gaming Equipment HK\$ (unaudited)	Consultancy and Technical Services HK\$ (unaudited)	Repair Services HK\$ (unaudited)	Smart VM HK\$ (unaudited)	
For the six months ended 30 June 2021					
Types of goods or services					
Technical Sales and Distribution of Electronic Gaming Equipment					
— Electronic table games	1,391,174	—	—	—	1,391,174
— Spare parts	524,597	—	—	—	524,597
Total	1,915,771	—	—	—	1,915,771
Consultancy and Technical Services					
— Technical supports	—	408,618	—	—	408,618
— Consultancy services	—	490,071	—	—	490,071
	—	898,689	—	—	898,689
Repair Services	—	—	191,512	—	191,512
Total	1,915,771	898,689	191,512	—	3,005,972
Geographical markets					
Macau SAR	1,787,287	898,689	191,512	—	2,877,488
The Republic of Vietnam ("Vietnam")	56,622	—	—	—	56,622
Others	71,862	—	—	—	71,862
Total	1,915,771	898,689	191,512	—	3,005,972
Timing of revenue recognition					
At a point in time	1,915,771	1,200	191,512	—	2,108,483
Over time	—	897,489	—	—	897,489
Total	1,915,771	898,689	191,512	—	3,005,972

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2022

3. REVENUE AND SEGMENT INFORMATION (Continued)

3.1 Revenue (Continued)

Disaggregation of revenue from contracts with customers (Continued)

	EGE Business			Smart VM Business	Total HK\$ (unaudited)
	Technical Sales and Distribution of Electronic Gaming Equipment HK\$ (unaudited)	Consultancy and Technical Services HK\$ (unaudited)	Repair Services HK\$ (unaudited)	Smart VM HK\$ (unaudited)	
For the three months ended 30 June 2022					
Types of goods or services					
Technical Sales and Distribution of Electronic Gaming Equipment					
— Spare parts	173,682	-	-	-	173,682
Consultancy and Technical Services					
— Technical supports	-	504,270	-	-	504,270
— Consultancy services	-	245,639	-	-	245,639
	-	749,909	-	-	749,909
Repair Services	-	-	118,872	-	118,872
Smart VM					
— Sale of own goods	-	-	-	321,373	321,373
— Consignment sale	-	-	-	4,122	4,122
	-	-	-	325,495	325,495
Total	173,682	749,909	118,872	325,495	1,367,958
Geographical markets					
Macau SAR	79,078	749,909	118,872	306,505	1,254,364
South Korea	74,484	-	-	-	74,484
The PRC	20,120	-	-	18,990	39,110
Total	173,682	749,909	118,872	325,495	1,367,958
Timing of revenue recognition					
At a point in time	173,682	22,800	118,872	325,495	640,849
Over time	-	727,109	-	-	727,109
Total	173,682	749,909	118,872	325,495	1,367,958

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2022

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

3.1 Revenue *(Continued)*

Disaggregation of revenue from contracts with customers (Continued)

	EGE Business			Smart VM Business	Total HK\$ (unaudited)
	Technical Sales and Distribution of Electronic Gaming Equipment HK\$ (unaudited)	Consultancy and Technical Services HK\$ (unaudited)	Repair Services HK\$ (unaudited)	Smart VM HK\$ (unaudited)	
For the three months ended 30 June 2021					
Types of goods or services					
Technical Sales and Distribution of Electronic Gaming Equipment					
— Spare parts	325,887	–	–	–	325,887
Consultancy and Technical Services					
— Technical supports	–	189,239	–	–	189,239
— Consultancy services	–	336,455	–	–	336,455
	–	525,694	–	–	525,694
Repair Services	–	–	138,733	–	138,733
Total	325,887	525,694	138,733	–	990,314
Geographical markets					
Macau SAR	229,086	525,694	138,733	–	893,513
Vietnam	24,939	–	–	–	24,939
Others	71,862	–	–	–	71,862
Total	325,887	525,694	138,733	–	990,314
Timing of revenue recognition					
At a point in time	325,887	1,200	138,733	–	465,820
Over time	–	524,494	–	–	524,494
Total	325,887	525,694	138,733	–	990,314

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2022

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

3.2 Segment information

During the second half of 2021, the Group commenced Smart VM business and changed its internal organisation accordingly. For management purposes, the Group is organised into business units based on their products and services and has two reportable operating segments: (a) EGE Business; and (b) Smart VM Business which is a new segment for the second half of 2021.

The Group's operating activities are mainly attributable to (i) the EGE Business and (ii) the Smart VM Business as disclosed in note 1. For the purpose of resources allocation and segment performance assessment, the chief operating decision maker (the "CODM"), who are the executive directors of the Company, review the overall results and financial position of the Group as a whole prepared based on same accounting policies which conform to IFRSs. The CODM have identified two segments, being (i) the EGE Business and (ii) the Smart VM Business as reportable segments.

Information regarding the Group's reportable segments is set out below:

	EGE Business HK\$ (unaudited)	Smart VM Business HK\$ (unaudited)	Total HK\$ (unaudited)
For the six months ended 30 June 2022			
Reportable segment revenue			
— From external customers	2,217,022	471,341	2,688,363
Reportable segment results <i>(Note)</i>	(6,161,224)	(1,056,115)	(7,217,339)
Unallocated corporate income			74
Unallocated corporate expenses			(2,543,455)
Loss before income tax			(9,760,720)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2022

3. REVENUE AND SEGMENT INFORMATION (Continued)

3.2 Segment information (Continued)

Note:

	EGE Business HK\$ (unaudited)	Smart VM Business HK\$ (unaudited)	Unallocated HK\$ (unaudited)	Total HK\$ (unaudited)
For the six months ended 30 June 2022				
Amounts included in the measure of segment results				
— Bank interest income	140	33	74	247
— Net foreign exchange loss	(24,671)	(21,256)	–	(45,927)
— Depreciation of property and equipment	(1,732)	(254,982)	–	(256,714)
— Depreciation of right-of-use assets	–	(326,971)	–	(326,971)
— Expected credit (loss)/reversal on trade receivables, net	1,948	–	–	1,948
— Effective interest income on rental deposits	3,701	–	–	3,701
— Finance costs	(27,793)	(28,138)	–	(55,931)
— Write-down of inventories to net realisable value	(536,298)	–	–	(536,298)
Other segment item				
Additions to non-current assets	13,860	1,877,053	–	1,890,913
As at 30 June 2022				
Segment assets	17,892,708	4,416,067	10,462,645	32,771,420
Segment liabilities	8,179,508	1,171,013	171,464	9,521,985

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2022

4. OTHER INCOME, GAINS AND LOSSES

	Three months ended 30 June		Six months ended 30 June	
	2022 HK\$ (unaudited)	2021 HK\$ (unaudited)	2022 HK\$ (unaudited)	2021 HK\$ (unaudited)
Other income				
Bank interest income	84	77	247	408
COVID-19-related rent concessions	37,748	800	37,748	800
Effective interest income on rental deposits	1,851	1,804	3,701	3,506
Gain on lease modification upon termination of lease	5,001	–	5,001	–
Others	11,494	3,882	12,057	4,644
	56,178	6,563	58,754	9,358
Other gains and losses				
Net foreign exchange loss	(12,714)	(14,915)	(45,927)	(39,447)
	43,464	(8,352)	12,827	(30,089)

5. EXPECTED CREDIT (LOSS)/REVERSAL, NET

	Three months ended 30 June		Six months ended 30 June	
	2022 HK\$ (unaudited)	2021 HK\$ (unaudited)	2022 HK\$ (unaudited)	2021 HK\$ (unaudited)
Expected credit (loss)/reversal on trade receivables, net	(3,962)	(5,111)	1,948	(1,568)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2022

6. INCOME TAX EXPENSE

The Group is subject to Macau SAR Complementary Tax at a rate of 12% on the assessable profits for both periods. No provision for income tax has been made as the Group has no assessable profits for both periods.

Under the Law of the PRC on Enterprise Income Tax (the “**EIT Law**”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiary is 25%. For PRC subsidiary of the Group engaged in Smart VM business in the PRC, the provision for the EIT has been provided at the applicable tax rate of 25% on the estimated assessable profits of the Group. No provision for Enterprise Income Tax has been made as the Group did not generate assessable profit arising in the PRC 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 regulations in those jurisdictions.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2022

7. LOSS FOR THE PERIOD

Loss for the period has been arrived at after charging/(crediting):

	Three months ended 30 June		Six months ended 30 June	
	2022 HK\$ (unaudited)	2021 HK\$ (unaudited)	2022 HK\$ (unaudited)	2021 HK\$ (unaudited)
Directors' remunerations	779,860	1,009,860	1,559,720	1,789,720
Other staff costs				
— Salaries and allowances	2,354,680	2,220,811	4,722,277	4,433,831
— Retirement benefits scheme contributions (<i>note</i>)	11,534	10,631	23,301	21,019
	3,146,074	3,241,302	6,305,298	6,244,570
Lease charges:				
— Short term leases	179,577	66,699	322,143	133,398
— COVID-19-related rent concessions received	(37,748)	(800)	(37,748)	(800)
Total lease charges	141,829	65,899	284,395	132,598
Depreciation:				
— Property and equipment	144,031	261,040	256,714	727,892
— Right-of-use assets	228,158	291,539	326,971	583,273
Total depreciation	372,189	552,579	583,685	1,311,165
Auditor's remuneration	323,009	462,136	556,019	724,272
Cost of inventories recognised as an expense, included in "cost of sales"	270,496	203,767	589,209	1,369,850

Note: At the end of the reporting period, the Group had no forfeited contributions available to reduce its existing contributions to the retirement benefit scheme in future years.

8. DIVIDEND

No dividend was paid or proposed for the current interim period, nor has any dividend been proposed since the end of the reporting period (2021: Nil).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2022

9. LOSS PER SHARE

The calculation of the basic loss per share attributable to the owners of the Company is based on the following data:

	Three months ended 30 June		Six months ended 30 June	
	2022	2021	2022	2021
	HK\$ (unaudited)	HK\$ (unaudited)	HK\$ (unaudited)	HK\$ (unaudited)

Loss

Loss for the period attributable to the owners of the Company	(5,495,476)	(5,053,403)	(9,760,720)	(9,395,039)
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	'000	'000	'000	'000
Number of shares				
Weighted average number of ordinary shares	1,000,000	1,000,000	1,000,000	1,000,000

	HK cents	HK cents	HK cents	HK cents
Basic loss per share	(0.55)	(0.51)	(0.98)	(0.94)

Diluted loss per share for both periods were the same as basic loss per share as there were no potential ordinary shares in existence during both periods.

10. PROPERTY AND EQUIPMENT

	As at 30 June 2022 HK\$ (unaudited)	As at 31 December 2021 HK\$ (audited)
Carrying values		
Computers	66,280	23,020
Motor vehicles	151,200	–
Vending machines	2,337,359	1,746,663
	2,554,839	1,769,683

During the current interim period, property and equipment of HK\$1,041,870 is acquired (2021: HK\$790,954).



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2022

11. RIGHT-OF-USE ASSETS

	Carrying amount		Depreciation
	As at 30 June 2022 HK\$ (unaudited)	As at 1 January 2022 HK\$ (audited)	For the six months ended 30 June 2022 HK\$ (unaudited)
Premises for vending machines	923,726	752,055	326,971

	Carrying amount		Depreciation
	As at 30 June 2021 HK\$ (unaudited)	As at 1 January 2021 HK\$ (audited)	For the six months ended 30 June 2021 HK\$ (unaudited)
Office premises	1,652,273	2,203,031	550,758
Car parks	117,787	21,807	32,515
	1,770,060	2,224,838	583,273

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2022

11. RIGHT-OF-USE ASSETS (Continued)

As at 30 June 2022, the Group entered into eleven lease agreements (31 December 2021: nine lease agreements) for use of leased premises for vending machines, office premises, warehouses and car parks with remaining lease term of one to three years (31 December 2021: one to three years), with a corresponding addition of right-of-use assets of HK\$828,424 (31 December 2021: HK\$1,494,484). The carrying amounts of right-of-use assets and lease liabilities are HK\$923,726 and HK\$1,934,406 (31 December 2021: HK\$752,055 and HK\$2,387,329), respectively.

The Group makes fixed payments during the contract periods. Two of the lease agreements (31 December 2021: two lease agreements) contains an option for further extending the lease period for additional one year by giving a one to three months notice to landlord before the end of the lease. The Group considered the option would be exercised at the lease commencement date.

During the six months ended 30 June 2022, the Group has terminated one lease agreement for use of leased premises for vending machines with a remaining lease term of 18 months.

12. INVENTORIES

	As at 30 June 2022 HK\$ (unaudited)	As at 31 December 2021 HK\$ (audited)
Spare parts	2,021,101	2,569,587
Finished goods	1,600,811	752,642
Goods in transit	–	995,071
Merchandise	210,539	157,720
	3,832,451	4,475,020



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2022

13. TRADE AND OTHER RECEIVABLES

	As at 30 June 2022 HK\$ (unaudited)	As at 31 December 2021 HK\$ (audited)
Gross trade receivables on contracts with customers	605,090	685,366
Less: Allowance for expected credit loss ("ECL")	(36,875)	(38,823)
	568,215	646,543
Amounts transferred from finance lease receivables upon derecognition	22,988,870	22,988,870
Less: Allowance for ECL	(22,988,870)	(22,988,870)
	-	-
Other receivables, prepayments and deposits		
— Purchase and trial products deposits to suppliers	3,799,539	3,633,986
— Other prepayments and deposits	382,150	733,756
— Other receivables	73,468	56,068
— Rental deposits	520,317	386,100
	4,775,474	4,809,910
	5,343,689	5,456,453
Representing:		
— Current	5,102,512	5,346,518
— Non-current	241,177	109,935
	5,343,689	5,456,453

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2022

13. TRADE AND OTHER RECEIVABLES *(Continued)*

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

	As at 30 June 2022 HK\$ (unaudited)	As at 31 December 2021 HK\$ (audited)
0-30 days	355,951	475,855
31-60 days	185,842	121,522
61-90 days	9,964	–
91-180 days	20,009	–
Over 180 days	33,324	87,989
	605,090	685,366

14. TRADE AND OTHER PAYABLES

	As at 30 June 2022 HK\$ (unaudited)	As at 31 December 2021 HK\$ (audited)
Trade payables	836,975	344,311
Payroll payables and other accrued staff costs	189,153	546,161
Other payables and accrued expenses	1,324,266	1,612,320
Provision for restoration	533,981	533,981
	2,884,375	3,036,773



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2022

14. TRADE AND OTHER PAYABLES (Continued)

The credit period on trade payables ranges 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:

	As at 30 June 2022 HK\$ (unaudited)	As at 31 December 2021 HK\$ (audited)
0-30 days	340,791	128,087
31-60 days	35,407	97,603
61-90 days	112,776	37,841
Over 90 days	348,001	80,780
	836,975	344,311

15. CONTRACT LIABILITIES

	As at 30 June 2022 HK\$ (unaudited)	As at 31 December 2021 HK\$ (audited)
Consultancy and Technical Services	367,595	–

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2022

16. SHARE OPTION SCHEME

The Group's share option scheme (the "Share Option Scheme") was conditionally adopted pursuant to a resolution passed on 25 October 2017 as detailed in the annual financial statements of the Group for the year ended 31 December 2021.

During the six months ended 30 June 2022 and as at 30 June 2022, no option has been granted pursuant to the Share Option Scheme (2021: nil).

17. SHARE CAPITAL

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

	Number of shares	Share capital HK\$
Authorised:		
Ordinary shares of HK\$0.01 each		
As at 1 January 2021, 31 December 2021, 1 January 2022 and 30 June 2022	10,000,000,000	100,000,000
Issued and fully paid:		
Ordinary shares of HK\$0.01 each		
As at 1 January 2021, 31 December 2021, 1 January 2022 and 30 June 2022	1,000,000,000	10,000,000

18. LEASE COMMITMENTS

As lessee

As at 30 June 2022 and 31 December 2021, the lease commitments for short-term leases of the Group in respect of premises leased for vending machines, car parks and an office premises are as follows:

	As at 30 June 2022 HK\$ (unaudited)	As at 31 December 2021 HK\$ (audited)
Within one year	330,529	400,562



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2022

19. CAPITAL COMMITMENTS

	As at 30 June 2022 HK\$ (unaudited)	As at 31 December 2021 HK\$ (audited)
Contracted but not provided for:		
— Property and equipment	105,367	101,825

20. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recognised in the condensed consolidated interim financial statements approximate their fair values.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group has two principle lines of business: 1) the Electronic Gaming Equipment (“**EGE**”) Business; and 2) the Smart Vending Machines (“**Smart VM**”) Business.

EGE Business:

The Group has been engaged in the EGE Business in Macau Special Administrative Region (“**Macau SAR**”) since 2005 where it is a licensed supplier of EGE to all six Macau’s casino concessionaires. The Group also supplies EGE to landbased casinos in the Asian region. The main EGEs or products supplied by the Group include electronic table games (“**ETGs**”) such as electronic baccarat table games and electronic gaming machines (“**EGMs**”) such as electronic slot machines. The Group represents many brands of EGE and provides many services on the EGEs. Overall, the Group’s EGE Business can be divided into: (1) the technical sales and distribution of EGE to casinos; (2) the provision of repair services to casino operators; and (3) the provision of consultancy and technical services.

The novel coronavirus disease 2019 (“**COVID-19**”) pandemic which started in January 2020 continues to be ongoing for approximately three years now. The pandemic continues to adversely impact the operations of our customers, particularly the land-based casinos in Macau SAR. As a result, the Group’s performance for the Period continues to be adversely affected.

During the Period, revenues from the Technical Sales and Distribution of EGE had decreased by approximately 68.1%. Revenues from the Consulting and Technical Services and Repair Services had increased by approximately 50.7% and 31.1% respectively.

Smart VM Business:

The Group began its Smart VM Business in Macau SAR in the second half of 2021 after several months of trials. At its core, the Group is an operator of Smart VMs selling various Macau sourced products to travellers to Macau SAR as well as domestic consumers in Macau SAR and the Greater Bay Area of the PRC (“**GBA**”). The Group operates and markets its Smart VMs under its own registered brands and logos in both Macau SAR and the PRC. In Macau SAR, the Group’s drinks and snacks VMs are marketed under the KatKatMall logo, and its coffee VMs are marketed under the Katffee logo. The Group also operates and markets customised VMs with well known product partners, for example, it operates a Choi Heung Yuen (“**CHY**”) VM specifically for CHY products in Macau SAR.

The Group’s Smart VM Business is conducted through the Group’s wholly-owned subsidiary, APE Smart Commerce Limited and its subsidiary, Xianfeng Zhitesco E-Commerce (Zhuhai Hengqin) Co. Ltd. in Zhuhai, the GBA to undertake such opportunities. As at 30 June 2022, the Group has installed 40 VMs and 17 coffee VMs of various types in Macau SAR, and 4 coffee VMs and 1 VM in Zhuhai, the GBA. The Smart VM Business performance for the Period generated a revenue of approximately HK\$0.47 million, and a gross loss of approximately HK\$0.32 million. Total capital expenditures on VMs approximately HK\$2.72 million.

MANAGEMENT DISCUSSION AND ANALYSIS

During the Period, the Group set up a new 100% owned subsidiary company called APE Digital Creations Limited (“**APE DCL**”) in Hong Kong Special Administrative Region (“**Hong Kong SAR**”) to participate and engage in metaverse and related businesses. The Group hopes that APE DCL will allow the Group to diversify into online and digital business opportunities.

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 EGEs. This demand has been negatively impacted by the COVID-19 crisis which has affected the operations of the Group’s major customers, the Macau SAR land-based casinos. The Group’s revenue is also highly dependent on the products from its suppliers. Instead of relying on gaming machine agents to supply their products to casino operators in Macau SAR, some manufacturers of EGE may choose to supply EGEs to casino operators in Macau SAR by direct sales. If any of the Group’s existing suppliers decides to supply EGEs to casino operators in Macau SAR directly without engaging the Group, the Group’s business, financial condition and operations could be materially and adversely affected. In addition, other manufacturers of EGE that wish to enter into the Macau SAR market in the future may choose to make direct sales to casino operators in Macau SAR by obtaining the relevant approval from the Direcção de Inspeção e Coordenação de Jogos (the Gaming Inspection and Coordination Bureau of Macau SAR). The Group will then face increased competition and its business, financial condition and operations may be materially and adversely affected.

COVID-19 — RISKS AND UNCERTAINTIES

The outbreak of COVID-19 pandemic had severe impact on the casino operators’ operations in Macau SAR as well as Southeast Asia. As a result, there was a weaker demand for technical sales and distribution of EGEs of the Group. During the Period, some of the orders of the EGE received by the Group were delayed or cancelled.

FORWARD OUTLOOK

The ongoing uncertainty of COVID-19 continues to affect the operations and plans of our customers. This has caused a prolong impact on our businesses and operations, particularly our EGE business. As a result, the Group needs to diversify its business lines, and also look at ways to minimize costs and expenses. The Group is actively looking at steps to restructure our EGE business to prepare for the future.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

The total revenue of the Group decreased by approximately 10.6% from approximately HK\$3.0 million for the Corresponding Period to approximately HK\$2.7 million for the Period. The decrease in revenue was mainly attributable to a 68.1% decrease of income derived from Technical Sales and Distribution of EGE for the Period as compared with that for the Corresponding Period.

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

Revenue from major products and services	Six months ended 30 June		Period-on- period change
	2022	2021	
	HK\$	HK\$	%
Technical Sales and Distribution of EGE	612,056	1,915,771	(68.1)%
Consultancy and Technical Services	1,353,883	898,689	50.7%
Repair Services	251,083	191,512	31.1%
Smart VM	471,341	–	–
Total	2,688,363	3,005,972	(10.6)%

Technical Sales and Distribution of EGE

Revenue from Technical Sales and Distribution of EGE decreased by 68.1% to approximately HK\$0.6 million for the Period (Corresponding Period: approximately HK\$1.9 million) mainly due to the impact of COVID-19 on our major customers resulting in delayed or cancelled orders.

Gross profit margin on sale of EGE decreased to gross loss margin of 61.6% over the Period (Corresponding Period: gross profit margin of 19.2%). The reason for the decrease in gross profit margin was attributed to (i) the lower overall selling prices; and (ii) fixed payment of staff costs.

Consultancy and Technical Services

Consultancy and Technical Services revenue increased by 50.7% between the Period and the Corresponding Period.

MANAGEMENT DISCUSSION AND ANALYSIS

Repair Services

Repair Services revenue increased by 31.1% to approximately HK\$0.3 million for the Period (Corresponding Period: approximately HK\$0.2 million).

Gross (loss)/profit and gross (loss)/profit margin by revenue streams

The following table sets forth the breakdown of the Group's gross (loss)/profit margin by types of goods and services for the Period and the Corresponding Period:

For the six months ended 30 June 2022

	Technical Sales and Distribution of EGE HK\$	Consultancy and Technical Services HK\$	Repair Services HK\$	Smart VM HK\$	Total HK\$
Revenue	612,056	1,353,883	251,083	471,341	2,688,363
Cost of sales and services	(989,095)	(1,346,398)	(439,962)	(791,017)	(3,566,472)
Gross (loss)/profit	(377,039)	7,485	(188,879)	(319,676)	(878,109)
Gross (loss)/profit margin	(61.6%)	0.6%	(75.2%)	(67.8%)	(32.7%)

For the six months ended 30 June 2021

	Technical Sales and Distribution of EGE HK\$	Consultancy and Technical Services HK\$	Repair Services HK\$	Smart VM HK\$	Total HK\$
Revenue	1,915,771	898,689	191,512	–	3,005,972
Cost of sales and services	(1,548,349)	(750,885)	(141,888)	–	(2,441,122)
Gross profit	367,422	147,804	49,624	–	564,850
Gross profit margin	19.2%	16.4%	25.9%	–	18.8%

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's gross profit margin decreased from approximately 18.8% for the Corresponding Period to gross loss margin of approximately 32.7% for the Period. The decrease in gross profit margin was attributable to (i) a decrease in gross profit margin for Technical Sales and Distribution of EGE due to lower overall selling prices; and (ii) a decrease in gross profit for Repair Services.

Other income, gains and losses

The Group incurred net foreign exchange loss of HK\$45,927 for the Period (Corresponding Period: HK\$39,447) due to the fluctuation of European dollar against HK\$, which was unfavourable to our payables position to one of our suppliers in Europe.

Operating expenses

The Group's operating expenses decreased by approximately 12.7% from approximately HK\$9.5 million for the Corresponding Period to approximately HK\$8.3 million for the Period. This decrease was attributable to staff voluntary unpaid leave scheme as well as review of the Group's ongoing operating expenses.

Impairment on financial assets

The Group recognised a reversal of impairment loss of HK\$1,948 for trade receivables for the Period (Corresponding Period: impairment loss of HK\$1,568).

Loss

The Group recorded net loss attributable to the owners of the Company of approximately HK\$9.8 million for the Period compared to a net loss of approximately HK\$9.4 million for the Corresponding Period. The increase in loss was mainly attributable to a decrease in revenue to approximately HK\$2.7 million for the Period as compared to approximately HK\$3.0 million for the Corresponding Period, being a 10.6% drop.

LIQUIDITY, FINANCIAL RESOURCES, GEARING RATIO AND CAPITAL STRUCTURE

During the Period, the Group financed its operations by its internal resources. As at 30 June 2022, the Group had net current assets of approximately HK\$20.0 million compared with those of approximately HK\$30.6 million as at 31 December 2021. As at 30 June 2022 and 31 December 2021, the Group had no bank borrowings, bank overdrafts, nor other bank loans. Gearing ratio (which is calculated by dividing total debt by total equity and then multiplied by 100%) was not applicable to the Group as at 30 June 2022. As at 30 June 2022, 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 2021. The capital structure refers to the maturity profile of debt and obligation, type of capital instruments used, currency and interest rate structure.

MANAGEMENT DISCUSSION AND ANALYSIS

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in this report, the Group did not have any other plans for material investment or capital assets as at the date of this report.

SIGNIFICANT INVESTMENTS OR MATERIAL ACQUISITIONS AND DISPOSALS

Save as disclosed in this report, the Group did not make any significant investments or material acquisitions and disposal of subsidiaries, associates or joint ventures during the Period.

CONTINGENT LIABILITIES

As at 30 June 2022 and 31 December 2021, the Group did not have any material contingent liabilities.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2022, the Group had a total of 45 employees (30 June 2021: 42). Employee remuneration package is based on the previous working experience and actual performance of individual 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\$6.3 million (Corresponding Period: approximately HK\$6.2 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

As at 30 June 2022, the Group had capital commitment of HK\$105,367 (31 December 2021: HK\$101,825).

CHARGES ON GROUP'S ASSETS

As at 30 June 2022, the Group had no charges on its assets (31 December 2021: 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 2022, all cash on hand was deposited with licensed financial institutions in Hong Kong SAR, Macau SAR and the PRC.

MANAGEMENT DISCUSSION AND ANALYSIS

CUSTOMER RELATIONSHIPS

The Group's major customers are mostly casino operators in Macau SAR which are 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	
	2022 HK\$ Unaudited	2021 HK\$ Unaudited
Customer A	798,420	1,629,354
Customer B	611,126	642,466
Customer C	N/A [#]	339,461
Customer D	332,042	N/A [#]

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

FOREIGN CURRENCY EXPOSURE

The Group invoices its customers mainly in US\$, HK\$, Macau Pataca ("MOP") and Chinese Yuan ("CNY"). The main exposure to foreign currency fluctuations comes from daily operating expenses and supplies in HK\$. For the Period, the Group's net foreign exchange loss was HK\$45,927, an increase from HK\$39,447 for the Corresponding Period. This was attributable to the fluctuation of exchange rate of US\$ against HK\$ and MOP against CNY, which affected our payables in HK\$ liabilities negatively.

DIVIDEND

The Board has resolved not to declare the payment of an interim dividend for the Period (Corresponding Period: Nil).

DISCLOSURE OF INTERESTS

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 2022, 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 SAR (the "SFO"), which were required to be (a) 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, recorded in the register referred to therein; or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), were as follows:

Long Position in the shares of the Company (the "Shares")

Name of Directors/ Chief executive	Capacity/ Nature of interest	Number of Shares/ underlying Shares interested	Approximate percentage of the issued Shares*
Mr. Huie, Allen Tat Yan ("Mr. Huie")	Beneficial owner	294,759,680 ^{Notes 1,2&3}	29.47%
Mr. Ng Man Ho Herman ("Mr. Ng")	Beneficial owner	289,259,680 ^{Notes 1,2&3}	28.92%
Mr. Chan Chi Lun ("Mr. Chan")	Beneficial owner	151,580,640 ^{Notes 1,2&3}	15.16%

Note 1: As at 1 April 2022, each of Mr. Huie, Mr. Ng and Mr. Chan beneficially owned 293,409,680 Shares, 288,719,680 Shares and 151,580,640 Shares, respectively. Pursuant to a deed of concert parties dated 10 March 2017 and signed by Mr. Huie, Mr. Ng and Mr. Chan (the "Deed of Concert"), each of them has agreed and confirmed, among other things, that they have been cooperating with each other and acting in concert in relation to the Group (for the purpose of the Code of Takeovers and Mergers of Hong Kong SAR) since 1 January 2015 and will continue to act in the same manner in the Group upon the Shares have been listed on GEM of the Stock Exchange since 15 November 2017 (the "Listing Date" and the "Listing", respectively). By virtue of the SFO, Mr. Huie, Mr. Ng and Mr. Chan are deemed to be interested in 733,710,000 Shares, representing approximately 73.37% of the total number of Shares in issue, held by them altogether.

DISCLOSURE OF INTERESTS

Note 2: On 6 and 7 April 2022, Mr. Huie acquired 1,350,000 Shares in total on the market. Pursuant to the Deed of Concert, both Mr. Ng and Mr. Chan are also deemed to be interested in such 1,350,000 Shares. By virtue of the SFO, Mr. Huie, Mr. Ng and Mr. Chan are deemed to be interested in 735,060,000 Shares, representing approximately 73.51% of the total number of Shares in issue, held by them altogether.

Note 3: On 7 April 2022, Mr. Ng acquired 540,000 Shares in total on the market. Pursuant to the Deed of Concert, both Mr. Huie and Mr. Chan are also deemed to be interested in such 540,000 Shares. By virtue of the SFO, Mr. Huie, Mr. Ng and Mr. Chan are deemed to be interested in 735,600,000 Shares, representing 73.56% of the total number of Shares in issue, held by them altogether.

* The percentage represents the total number of the Shares and the underlying Shares, if any, interested divided by the number of issued Shares of 1,000,000,000 as at 30 June 2022.

Save as disclosed above, as at 30 June 2022, 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 (a) 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, recorded in the register referred to therein; or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, 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 2022, other than the interests which would be required to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO in respect of the Directors and the chief executive of the Company, the Company had not been notified by any person or entity, not being a Director or the chief executive of the Company, of having 5% or more of the interests and short positions in the Shares and underlying Shares as required to be recorded in the register under Section 336 of the SFO.

CORPORATE GOVERNANCE AND OTHER INFORMATION

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN COMPETING BUSINESS

None of the Directors or the controlling shareholders of the Company (the “**Shareholders**”) (as defined under the GEM Listing Rules) or their respective close associates (as defined under the GEM Listing Rules) had any business or interest in a 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 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.

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 Share Option Scheme became effective upon the commencement of dealings of the Shares on the Listing Date. 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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 and the independent non-executive Directors (“**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 the Listing Date and will expire at 5:00 p.m. on the business day preceding the tenth anniversary of such date.

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 2022. Further details regarding the principal terms of the Share Option Scheme were included in the prospectus of the Company dated 31 October 2017 under the section “Appendix IV Statutory and General Information — Share Option Scheme”.

CORPORATE GOVERNANCE AND OTHER INFORMATION

IMPORTANT EVENTS AFTER THE PERIOD

The Board is not aware of any material event requiring disclosure, that has taken place subsequent to 30 June 2022 and up to the date of this report.

REVIEW BY AUDIT COMMITTEE

The audit committee of the Board (the “**Audit Committee**”) was established with effect from the Listing Date with written terms of reference in compliance with code provisions D.3.3 and D.3.7 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 of the Group for the Period and this 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, 12 August 2022

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