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)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

The board of directors (the "**Directors**") of Asia Pioneer Entertainment Holdings Limited (the "**Company**" and together with its subsidiaries, the "**Group**") announces the audited consolidated financial results of the Group for the year ended 31 December 2022. This announcement, containing the full text of the 2022 annual report of the Company (the "**2022 Annual 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 annual results. The printed version of the 2022 Annual 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, 27 March 2023

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.

*This report, for which the directors of Asia Pioneer Entertainment Holdings Limited (the "**Company**" 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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CORPORATE INFORMATION

Registered office
Windward 3
Regatta Office Park
PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

Principal place of business in Hong Kong
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North Point
Hong Kong

Headquarters and principal place of business in Macau
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Do Hipódromo NºS 56–66
Industrial Lee Cheung F10, Macau

Executive Directors
Mr. Huie, Allen Tat Yan *(Chairman)*
Mr. Ng Man Ho Herman *(Chief Executive Officer)*
Mr. Chan Chi Lun *(Chief Financial Officer)*

Independent non-executive Directors
Mr. Choi Kwok Wai
Mr. Ma Chi Seng
Mr. Ho Kevin King Lun

Compliance officer
Mr. Chan Chi Lun

Authorised representatives
Mr. Huie, Allen Tat Yan
Ms. Yue Sau Lan

Company secretary
Ms. Yue Sau Lan

Audit committee
Mr. Choi Kwok Wai *(Chairman)*
Mr. Ma Chi Seng
Mr. Ho Kevin King Lun

Nomination committee
Mr. Huie, Allen Tat Yan *(Chairman)*
Mr. Ma Chi Seng
Mr. Ho Kevin King Lun

Remuneration committee
Mr. Ho Kevin King Lun *(Chairman)*
Mr. Huie, Allen Tat Yan
Mr. Ma Chi Seng

Risk management committee
Mr. Huie, Allen Tat Yan *(Chairman)*
Mr. Ng Man Ho Herman
Mr. Chan Chi Lun

Legal adviser as to Macau law
Jorge Neto Valente — Lawyers & Notaries

Independent auditor
Grant Thornton Hong Kong Limited
Certified Public Accountants
Registered Public Interest Entity Auditor

Principal share registrar and transfer office
Ocorian Trust (Cayman) Limited
Windward 3
Regatta Office Park
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Grand Cayman KY1-1108
Cayman Islands

Hong Kong branch share registrar and transfer office
Boardroom Share Registrars (HK) Limited
Room 2103B, 21/F.
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North Point
Hong Kong

Principal bankers
The Bank of East Asia, Limited
China Citic Bank International Limited
Banco Nacional Ultramarino

Company website
www.apemacau.com

GEM stock code
8400

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors of Asia Pioneer Entertainment Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**", the "**Directors**" and the "**Board**", respectively), I am delighted to present the annual report of the Company for the year ended 31 December 2022 (the "**Year**" or "**FY2022**").

APPRECIATION

On behalf of the Board, I wish to take this opportunity to express my gratitude to our shareholders (the "**Shareholders**"), customers, suppliers and business partners, who trust and remain faithful to the Group. I would also like to extend our sincere thanks to our management (the "**Management**") and staff for their diligence, dedication and contribution throughout the years.

OVERVIEW

For the Group, FY2022 has been a year of darkness followed by a sudden light at the end of the tunnel. In the Macau Special Administrative Region ("**Macau SAR**" or "**Macau**"), the Group's principal place of business, the Group was adversely affected by the nearly 3 years – zero novel coronavirus disease 2019 ("**COVID-19**") policies. Tourists, consumers, and businesses all refrain from Macau. Casino customers cut back on business orders. Tourists were few and consumers lacked spending. There was no way of escaping this negative tidal wave. Both of our electronic gaming equipments ("**EGE**") supplier business ("**EGE Business**") and smart vending machines business ("**Smart VM Business**") were severely and negatively impacted. Then, all of a sudden at the year-end, zero COVID policies were reversed; offering the Group a ray of hope and a light going forward.

The Group was proactive in trying to manage its business during this period of darkness. During the Year, Management worked hard to cut back on operating expenses and sustain the Company's business. We implemented a consolidation plan to rationalize staff and cut our overall operating expenses. Total staffing was reduced from 44 in year-end 2021 to 35 in year-end 2022. In our EGE Business, two of our senior management staff left the Company during the Year. Their positions were filled by internal promotions of existing staff. We also implemented a plan to slowly get out of the EGE repairs business , which is highly staff intensive. The Group believes that the current level of staffing will allow it to sustain its business even with an expected turn-around in sales.

To cut operating expenses further, the three executive Directors agreed to reduce their compensation by 50% for 6 months. As a result of these actions, monthly operating expenses was reduced significantly. For example, total monthly operating expenses for December 2022 was Hong Kong dollars ("**HK$**") 0.95 million compared to HK$1.1 million for December 2021. Management believes that this proactive reduction of monthly operating expenses will enable the Group to comfortably sustain its business while preparing for a turn-around of business in the coming year.

On the business side, the Group was proactive but was nonetheless limited by the negative impact of zero COVID policies. While the Company worked hard to built a very nice brand and network in Macau, our Smart VM Business was still impacted by the closures of ferries, restrictions on tourists and limited consumer spending during the Year. So, instead of pushing for growth, we decided to focus on fine-tuning our VM locations and rental reductions as well as concentrating on products that sell best to VM consumers. For example, our coffee VM (we called it CMs) under the KATFFEE brand has been well received by Macau consumers, and thus has become the product of focus for our Smart VM Business. We expect our overall Smart VM Business to improve as tourists and consumers return to Macau in the coming year.

CHAIRMAN'S STATEMENT

On the business side for our EGE Business, FY2022 has been a year of survival due to a dearth of EGE orders from casinos, not just in Macau but throughout Asia. During this period, many of our EGE suppliers and competitors closed or have left Macau. We chose instead to continue engaging our casino customers and work actively with our suppliers despite a lack of EGE orders. We believe that our presence and loyalty will serve us well when business turns around. As we end the Year and start 2023, we are beginning to see some lights at the end of the dark tunnel. Several casinos in Macau have started to ask us for quotations for new EGE orders.

In addition, a couple of casinos have asked the Company for quotations to upgrade their existing EGEs. In that regard, it should be noted that Gaming Inspection and Coordination Bureau ("**DICJ**"), Macau's gaming regulator, has implemented rules requiring licensed casinos in Macau to upgrade electronic gaming machines ("**EGMs**") to new 2.0 standards. Overall, once tourist and mass gamers return, we believe that casinos in Macau will need to buy new or upgrade existing EGEs. We trust that the Company will be in a good position for such demand by casinos in the coming year.

Overall, from a financial perspective, the Group did not perform well for the Year. The Group's overall gross profit fell to approximately HK$0.1 million gross loss in the Year from approximately HK$0.9 million gross profit in FY2021. As a whole, for FY2022, the Group reported a loss of approximately HK$14.7 million compared to a loss of approximately HK$23.1 million in FY 2021. While not excusing losses, Management has taken proactive action to make the Company leaner, more sustainable, and better prepared for a turn around post COVID. For the coming year, the Group's uncompromising focus is to drive the Company back to profitability. We are beginning to see light at the end of the tunnel.

We thank our Shareholders and staff for their patience and commitment.

Huie, Allen Tat Yan
Chairman and Executive Director
Hong Kong, 27 March 2023

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Asia Pioneer Entertainment Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**") has two principal lines of business. Firstly, it is a supplier of electronic gaming equipments ("**EGE**") to casinos in the Macau Special Administrative Region ("**Macau SAR**" or "**Macau**") and Asia (the "**EGE Business**"). Secondly, it is an operator of smart vending machines in Macau and Greater Bay Area ("**GBA**") of the People's Republic of China ("**PRC**" or "**China**") selling various Macau sourced products to consumers and travellers (the "**Smart VM Business**").

EGE Business:

The Group has been engaged in the EGE Business in Macau SAR since 2005 where it is a licensed supplier of EGE to all six of Macau's casino concessionaires. The Group also supplies EGE to land-based 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 Group's EGE Business is conducted through its wholly-owned subsidiary in Macau, Asia Pioneer Entertainment Limited. The Group's performance in its EGE Business was adversely affected by the prolonged effects of the COVID-19 pandemic in both Macau and the Asian region. Because of novel coronavirus disease 2019 ("**COVID-19**")'s prolong impact, the management of the Group (the "**Management**") decided to take a conservative approach and limited the number of manufacturer brands it represents other than the existing manufacturers, the Group did not take on any new manufacturers for the Year. The Group also decided to cut back its activities in the Asian region as COVID-19 travel restrictions and quarantines continued in Southeast Asia. Management believed that any significant rebound in mass gaming will likely be in Macau SAR, and we need a concentrated focus on our core Macau casino customers. As a result, most of the revenues in its EGE Business for the Year were geographically from Macau SAR.

Full Year Results For EGE Business

The Group's total EGE Business revenue during the Year was approximately Hong Kong dollars ("**HK$**") 9.6 million, representing an increase of approximately 28.1% over that of approximately HK$7.5 million for the year ended 31 December 2021 ("**FY2021**").

On a divisional basis, the Group made revenue from the technical sales and distribution of EGE of approximately HK$6.1 million for the Year, an increase of approximately 21.2% from approximately HK$5.0 million for FY2021. From consultancy and technical services, the Group made revenue of approximately HK$3.0 million for the Year, an increase of approximately 67.9% from approximately HK$1.8 million for FY2021. From the repair services, the Group made revenue of approximately HK$0.5 million for the Year, a decrease of approximately 28.8% from approximately HK$0.7 million for FY2021.

From a gross profit standpoint, the overall gross profit and gross profit margin of the Group for the EGE Business for the Year were approximately HK$0.3 million and approximately 3.3%, respectively, whereas the overall gross profit and gross profit margin for FY2021 were approximately HK$0.9 million and approximately 12.3%, respectively.

On a divisional basis, technical sales and distribution of EGE made a gross profit of approximately HK$0.03 million, representing a gross profit margin of approximately 0.4% and the corresponding gross profit and gross profit margin of that division was approximately HK$0.8 million and approximately 16.2%, respectively for FY2021.

MANAGEMENT DISCUSSION AND ANALYSIS

The consultancy and technical services division generated a gross profit of approximately HK$0.7 million for the Year, representing a gross profit margin of approximately 23.4%, whereas the corresponding gross profit for that division was approximately HK$0.05 million and gross profit margin was approximately 2.7% for FY2021.

The repair of EGE had a gross loss of approximately HK$0.4 million for the Year, representing a gross loss margin of approximately -91.5%, whereas the corresponding gross profit and gross profit margin for that division was approximately HK$0.06 million and approximately 9.5%, respectively for FY2021.

INDUSTRY REVIEW: COVID-19 — RISKS AND UNCERTAINTIES

Macau's casino gross gaming revenue (GGR) down 51.4 percent year-on-year in full-year 2022[1]. Full-year GGR was Macau Pataca ("**MOP**") 42.55 billion (nearly United States dollars ("**US$**") 5.30 billion), compared to approximately MOP86.86 billion in 2021[1]. The lowest single year total since 2004[1].

Macau recorded a total of 5.70 million visitor arrivals for full-year of 2022, down 26.0 percent year-on-year, according to data released by Macau's Statistics and Census Service. The 2022 tally was the lowest number of annual visitor arrivals to Macau since 1999, showed the official figures[2].

The Philippine casino regulator, the Philippine Amusement and Gaming Corp (Pagcor), reported total income of Philippine Pesos ("**PHP**") 58.96 billion (US$1.08 billion) for full-year 2022. That was up 66.2 percent from the year of 2021[3].

SMART VM BUSINESS:

The Group began its Smart VM Business in Macau SAR in the second half of FY2021 after several months of trials. At its core, the Group is an operator of smart vending machines (the "**VMs**") selling various Macau sourced products to travellers to Macau SAR as well as domestic consumers in Macau SAR and the GBA. We operate and market our smart VMs under our own registered brands and logos in both Macau SAR and China. In Macau SAR, our drinks and snacks VMs are marketed under the KatKat Mall logo, and our coffee VMs are marketed under the Kaffee logo. We also operate and market customised VMs (coffee machines (the "**CMs**")) with well known product partners, for example, we operate a Choi Heung Yuen ("**CHY**") VM specifically for CHY products in Macau SAR.

Our VMs are sourced and customised from well-known machine manufacturers in China. We work closely with the machine manufacturers and participating banks to incorporate all kinds convenient e-payment systems in our VMs such as WeChat Pay, Alipay and Mpay. We have also implemented back-end data tracking systems in all of our VMs. The types of VMs vary depending on the types of products we sell. For FY2022, we have sourced and customised 3 categories of VMs: drinks and snacks, coffee and consumer goods.

The products we sell through our Smart VMs are mainly Macau sourced products, and they are in several categories: First are drinks and snack products such as known branded soft drinks and packaged snacks from Macau SAR, Japan and South Korea. Second are our coffee VM products, which sell freshly grounded coffee from Cafe Macau (formerly Cafe Dilley of Macau) and coffee beans imported from Portugal. Third are convenient consumer products such as travel necessities and daily consumables. Finally as indicated previously, we also operate VMs that sell exclusively the products of our known branded product partners. For example, we have CHY VMs that sells CHY products such as CHY cookies and cakes.

1. https://www.asgam.com/index.php/2023/01/01/macau-records-gross-gaming-revenue-of-us5-25-billion-in-2022-down-51-4-year-on-year/
2. https://www.ggrasia.com/macau-2022-visitor-tally-5-7mln-lowest-in-over-20-years/
3. https://www.ggrasia.com/pagcor-2022-income-up-66pct-y-o-y-tops-us1bln/

MANAGEMENT DISCUSSION AND ANALYSIS

The locations of our VMs are located in various sites throughout Macau SAR depending on the type of traffic and expected consumer demand for the VM products. Locations include: border crossing sites such as ferry terminals; hotels and malls; government buildings, civic buildings, office and residential venues. We typically pay a specified rent for a period for each VM installed.

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. For the Year, the Group has installed 28VMs+19CMs VMs of various types in Macau SAR, and 4CMs+1VM coffee VMs in Zhuhai, the GBA. For the Year, the Smart VM Business generated a revenue of approximately HK$0.9 million, and a gross loss of approximately HK$0.45 million. Total capital expenditures on VMs totalled approximately HK$2.7 million.

OPERATIONAL COST REDUCTIONS

The Group acted to preserve cash on hand and maintain working capital by undergoing an operation cost reduction review program with the objective to reduce operating expenses in anticipation of the fall in business revenues.

Since April 2020, the senior management of the Group has undertaken voluntary salary reductions of 20% and all staff has undertaken voluntary salary reductions of 10%. Also, the Group implemented a voluntary unpaid leave policy allowing staff to take unpaid leave. To further reduce operating expenses, the three executive directors of the Company decided to reduce their compensation by 50% for 6 months starting, December 2022.

The Group reviewed all the costs of corporate and professional vendors and were able to achieve an approximately 11% reduction in professional fees.

Overall the Group was able to achieve an approximately 13% reduction in its operating expenses for the Year through the cost reduction program. As at the date of this report, the Group has no debt on its books.

PROSPECTS

Despite the uncertainty on COVID-19 which affected the operations and plans of our customers for the past three years, the Group is confident that our core EGE Business and Smart VM Business will recover post-COVID as tourist, mass gamers, consumers and business return to Macau and Asian region. The Group is committed to driving the Company back to profitability in the coming year.

Other than its EGE Business and Smart VM Business, the Group continues to proactively seek opportunities to diversify its businesses. As Macau transitions from a pure gambling hub, more emphasis will be placed on non-gaming businesses, including technologies and other non-gaming services. The Group will seek diversification opportunities that suites the Group's competitive advantages.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

Key Financial Data	2022 *HK$*	2021 *HK$*	2020 *HK$*	2019 *HK$*	2018 *HK$*
Results of operation					
Revenue	10,509,128	7,633,467	40,473,031	81,968,117	109,618,844
Gross (loss)/profit	(139,276)	850,536	12,527,074	28,565,184	47,934,133
(Loss)/Profit before income tax	(15,673,397)	(23,076,762)	(32,032,449)	(1,721,768)	24,109,721
(Loss)/Profit and total comprehensive (expense)/ income for the year	(14,741,361)	(23,076,762)	(32,032,449)	(3,049,022)	20,701,271
Financial position					
Total assets	25,680,963	42,769,866	66,734,300	112,209,498	120,673,011
Total liabilities	7,412,169	9,759,711	10,647,383	24,090,132	29,504,623
Total equity	18,268,794	33,010,155	56,086,917	88,119,366	91,168,388

Revenue

For FY2022, the Group's revenue increased by approximately 37.7% to approximately HK$10.5 million from approximately HK$7.6 million for FY2021. Gross profit decreased to approximately HK$0.1 million gross loss for FY2022 from approximately HK$0.9 million gross profit for FY2021.

Group's Overall Performance

The sharp fall in gross profit performance was principally due to the decrease in gross profit from the EGE Business of divisions including technical sales and distribution and repair services during the Year.

Operating Expenses

The Group's operating expenses decreased by approximately 13.0% to approximately HK$16.2 million for FY2022 from approximately HK$18.7 million for FY2021.

Net Loss

Net loss after tax was approximately HK$14.7 million for FY2022 as compared to a net loss after tax of approximately HK$23.1 million for FY2021 mainly due to a general decrease in Group's operating expenses.

LIQUIDITY, FINANCIAL RESOURCES, GEARING RATIO AND CAPITAL STRUCTURE

During FY2022, the Group financed its operations by its internal resources. As at 31 December 2022, the Group had net current assets of approximately HK$15.2 million versus those of approximately HK$30.6 million as at 31 December 2021.

As at 31 December 2022, the gearing ratio (which is calculated by dividing total debts by total equity) was not applicable to the Group as the Group has no debt as at 31 December 2022. The shares of the Company (the "**Shares**") in issue were initially listed on GEM of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**" and "**GEM**", respectively) on 15 November 2017 (the "**Listing Date**") by way of a placing and a public offer totalling 250,000,000 new Shares at a price of HK$0.28 each. There has been no change in the capital structure of the Company since the Listing Date.

MANAGEMENT DISCUSSION AND ANALYSIS

The capital structure refers to the maturity profile of debt and obligation, type of capital instruments used, currency and interest rate structure.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Saved 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

The Group did not make any significant investment or material acquisition and disposal of subsidiaries, associates or joint ventures during FY2022.

MAJOR EVENTS AFTER THE END OF THE YEAR

There was no major event subsequent to 31 December 2022 and up to the date of this annual report.

CONTINGENT LIABILITIES

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

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2022, the Group had a total of 35 employees (31 December 2021: 44). For FY2022, the Group incurred staff costs, including directors' remuneration of approximately HK$12.1 million (2021: approximately HK$13.5 million). The Company does not have any pension scheme for the Directors.

The Company has adopted a share option scheme on 25 October 2017 (the "**Share Option Scheme**") for the purpose of recognising and acknowledging the contribution of employees. The Company did not grant any share options under the Share Option Scheme in FY2022.

CAPITAL COMMITMENTS

As at 31 December 2022, capital commitment was approximately HK$0.05 million in respect of the acquisition property and equipment (31 December 2021: approximately HK$0.1 million).

CHARGES ON GROUP ASSETS

As at 31 December 2022 and 2021, the Group had no charges on its assets.

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 31 December 2022, all cash on hand were deposited with licensed financial institutions in Hong Kong Special Administrative Region, Macau SAR and the PRC.

MANAGEMENT DISCUSSION AND ANALYSIS

CUSTOMER AND SUPPLIER RELATIONSHIP

The Group's major customers are mostly Macau SAR casino operators listed on the Stock Exchange as well as customers with an established business relationship with the Group. The Group is committed to building long term and stable business relationships with existing customers through our sales and marketing department and technical service team.

The Group 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.

FOREIGN CURRENCY EXPOSURE

The Group invoices its customers mainly in US$, HK$ and MOP. The main exposure to foreign currency fluctuations comes from daily operating expenses and supplies in HK$. For FY2022, the Group's net foreign exchange loss was HK$44,459, a decrease from HK$96,103 for FY2021. This was attributable to the fluctuation of exchange rate of US$ against HK$, which affected our payables in HK$ liabilities.

DIVIDENDS

The Board has resolved not to recommend any dividend for the Year (2021: Nil).

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

GENERAL

The following table sets forth the information regarding the directors of the Company (the "**Directors**") and the members of the senior management of the Group (the "**Senior Management**"):

Executive Directors

Name	Age	Position	Role and responsibility	Date of appointment	Date of joining the Group	Relationship with other Director(s) and senior management
Mr. Huie, Allen Tat Yan ("**Mr. Huie**")	64	chairman and executive Director	strategic planning and management supervision of the Group	appointed as Director on 22 February 2017; redesignated as executive Director on 15 March 2017	14 November 2005	N/A
Mr. Ng Man Ho Herman ("**Mr. Ng**")	51	chief executive officer ("**CEO**") and executive Director	overall business and sales and marketing	appointed as Director on 22 February 2017; redesignated as executive Director on 15 March 2017	14 November 2005	N/A
Mr. Chan Chi Lun ("**Mr. Chan**")	53	chief financial officer ("**CFO**"), executive Director and compliance officer	finance, corporate affairs and investor relations	appointed as CFO in April 2018, appointed as executive Director and compliance officer on 1 February and 19 September 2019, respectively	2013	N/A

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

Independent non-executive Directors

Name	Age	Position	Role and responsibility	Date of appointment	Date of joining our Group
Mr. Choi Kwok Wai ("**Mr. Choi**")	62	independent non-executive Director	supervising and providing independent judgment to the board of Directors (the "**Board**")	25 October 2017	25 October 2017
Mr. Ma Chi Seng ("**Mr. Ma**")	44	independent non-executive Director	supervising and providing independent judgment to the Board	25 October 2017	25 October 2017
Mr. Ho Kevin King Lun ("**Mr. Ho**")	47	independent non-executive Director	supervising and providing independent judgment to the Board	25 October 2017	25 October 2017

Senior Management

Name	Age	Position	Role and responsibility	Date of joining our Group	Relationship with other Director(s) and senior management
Ms. Lou Sut Mui	59	financial controller	management and supervision of the accounting team	18 Dec 2007	N/A
Ms. Maria Fatima Francisco Freire Garcia	52	sales director for Macau SAR and Southeast Asia	management and supervision of the sales team	6 Feb 2020	N/A

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

The Board currently consists of six Directors, comprising three executive Directors and three independent non-executive Directors (the "**INEDs**" and each an "**INED**"). Saved as disclosed below, there are no other matters concerning each of the Directors' appointment that need to be brought to the attention of the Company's shareholders and The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and there are no other matters which shall be disclosed pursuant to Rule 17.50(2) of the Rules Governing the Listing of Securities on GEM of the Stock Exchange.

Executive Directors

Mr. Huie, Allen Tat Yan ("**Mr. Huie**"), aged 64, is the chairman and an executive Director of the Company. Mr. Huie is also the chairman of the Board's nomination committee (the "**Nomination Committee**") and risk management committee (the "**Risk Management Committee**") and a member of the Board's remuneration committee (the "**Remuneration Committee**"). Mr. Huie is responsible for the strategic planning and management supervision of the Group. He has served as a director and the chairman of the board of directors of the Company's subsidiary, Asia Pioneer Entertainment, Ltd. ("**APE BVI**") since 25 June 2015. He has also been appointed as a director and the chairman of the board of directors of the main operating subsidiary of the Company, Asia Pioneer Entertainment Limited ("**APE Macau**"), since 18 November 2015 and 20 June 2016, respectively.

Mr. Huie is one of the founders of the Group, the history of which can be traced back to late 2005. Mr. Huie has over 17 years of experience in the gaming industry. Mr. Huie also has over 38 years of experience in investments and investment banking. Apart from investing in the Group, Mr. Huie is also a shareholder of China Clean of Renewable Energy Limited, an engineering plastics Company in the Hong Kong Special Administrative Region ("**Hong Kong SAR**"). Mr. Huie serves directorships in a number of companies, including companies under ShawKwei & Partners, a private equity firm in the Cayman Islands, of which Mr. Huie is an advisory partner. Mr. Huie was formerly a managing director of Salomon Brothers Inc.. He is currently a director of ATH Capital Management Limited, an investment advisory company in Hong Kong SAR.

Mr. Huie received both a bachelor of science degree in economics from the Wharton School in the United States of America ("**USA**") and a bachelor of arts degree in economics from the School of Arts and Sciences of University of Pennsylvania in USA in 1980. He later obtained a Juris Doctor degree from the University of Pennsylvania Law School, USA in 1983.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

Mr. Ng Man Ho Herman ("**Mr. Ng**"), aged 51, is the CEO and an executive Director of the Company. Mr. Ng is also a member of the Risk Management Committee. Mr. Ng is responsible for the overall business as well as sales and marketing of the Group. Mr. Ng is one of the founders of the Group, the history of which can be traced back to 2005. He has been appointed as a director and the managing director of the Company's subsidiary, APE BVI since 14 November 2005 and 25 June 2015, respectively. Mr. Ng was also a sole director of the main operating subsidiary of the Company, APE Macau from 24 May 2006 to 18 November 2015 and has been appointed as the managing director and chief executive officer of APE Macau since 18 November 2015.

Mr. Ng has over 13 years of experience in the gaming industry. Prior to establishing the Group, Mr. Ng was a manager of O Mundo De Diversoes Centro where he was responsible for the operation and management of the arcade game centre from 1996 to 2004.

Mr. Ng obtained an associate in science degree in construction and energy management and an associate in science degree in business (general) from Cabrillo College in USA in 1994 and 1995, respectively.

Mr. Chan Chi Lun (陳子倫) ("**Mr. Chan**"), aged 53, is the CFO, an executive Director and the compliance officer of the Company. He was appointed as an executive Director on 1 February 2019 and is also a member the Risk Management Committee. Mr. Chan joined the Group in 2013. Since 2013, Mr. Chan has been the chief financial officer of another wholly-owned subsidiary of the company, whose principal activity is investment holding. From 2014 to March 2018, Mr. Chan provided investor relations and corporate finance consultancy service to the Group. Mr. Chan was appointed as the CFO in April 2018.

From January 2022, Mr. Chan is the founding committee president of Hong Kong NFT Association, a not-for-profit community of non fungible token collectors and metaverse enthusiasts. Mr. Chan is also the former President of TiE (HK) Chapter, a global non-profit organisation for fostering entrepreneurship, and a committee member of Asia CEO Club, a network of CEOs and entrepreneurs. Mr. Chan holds a Master in International Management (distinction) from Strathclyde Business School and graduated from Strathclyde University in Scotland with a Bachelor of Science (Hons) in technology and business studies.

Independent non-executive Directors

Mr. Choi Kwok Wai ("**Mr. Choi**"), aged 62, is an INED and the chairman of the audit committee of the Board (the "**Audit Committee**"). Mr. Choi is responsible for supervising and providing independent judgment to the Board. Mr. Choi has over 21 years of experience in accounting, auditing, taxation and corporate consultancy. He has been the managing partner of Choi, Lo & Co., a certified public accountant firm in Hong Kong SAR since 1998, responsible for the daily management and strategic planning of the firm. Mr. Choi has extensive experience in advising his clients on internal control, compliance and corporate governance, and providing pre-IPO consultation service.

Mr. Choi obtained a degree in accounting from the University of Southern Queensland in Australia in 1993. Mr. Choi has been a member of the Hong Kong Institute of Certified Public Accountants since 1994. He has also been a certified practising accountant in Australia since 1994 and a certified tax advisor in Hong Kong SAR since 2009. Mr. Choi was appointed as the chairman of the Society of Chinese Accountants and Auditors in Hong Kong SAR in 2017 and resigned in 2018. He has served as its council member since 2009.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

Mr. Ma Chi Seng ("**Mr. Ma**"), aged 44, is an INED and a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee. Mr. Ma is responsible for supervising and providing independent judgment to the Board. Since 2008, Mr. Ma has been appointed as a director of New Worldwide International Limited, a company incorporated in the Macau Special Administrative Region ("**Macau SAR**"), conducting wholesale business of tobacco and wine.

Mr. Ma obtained a bachelor degree in business management from the Monash University in Australia in 2003.

Mr. Ho Kevin King Lun ("**Mr. Ho**"), aged 47, is an INED. Mr. Ho is also the chairman of the Remuneration Committee and a member of each of the Audit Committee and the Nomination Committee. Mr. Ho is responsible for supervising and providing independent judgment to the Board. Mr. Ho is a member of Anhui Provincial Committee of the Chinese People's Political Consultative Conference Committee Standing Committee. Mr. Ho is a founder and has been a director of Valeo Strategic Investment Limited since 2007, which is mainly engaged in financial investment, property management and property transactions in Macau SAR. Mr. Ho has been the chairman of Anzac Group Company Limited since 2012, which is a real estate development company in Macau SAR. Mr. Ho is responsible for the overall management, and strategic planning of the aforementioned companies. Mr. Ho has also been a member of the board of directors of Tai Fung Bank Limited in Macau SAR since 2008, responsible for monitoring the bank's compliance with applicable laws and regulations, reviewing financial reports and business operations of the bank and ensuring that the shareholders of the bank are treated fairly.

Mr. Ho obtained a bachelor's degree of commerce in marketing in 1998 and master's degree of commerce in international business from the University of New South Wales in Australia in 2000. He later obtained a doctoral degree in business administration from Macau University of Science and Technology in 2015.

SENIOR MANAGEMENT

The Senior Management team, in addition to the executive Directors listed above, is listed as follows:

Ms. Lou Sut Mui ("**Ms. Lou**"), aged 59, is the financial controller and joined the Group on 18 December 2007. Ms. Lou is responsible for the management and supervision of the accounting department of the Group. Ms. Lou has 20 years of experience in accounting and financial management. Ms. Lou obtained a degree in business administration majoring in accountancy from National Huaqiao University in the PRC in 2004.

Ms. Maria Fatima Francisco Freire Garcia ("**Ms. Maria Garcia**"), aged 52, is the sales director for Macau SAR and Southeast Asia.

Ms. Maria Garcia obtained a diploma of event management in Macau SAR in 2004, and has more than 35 years of working experience. Before joining the Group, she was in public relations and event management for more than 18 years organizing major and significant events in Macau SAR, Hong Kong and China for private, diplomatic and governmental entities.

Ms. Maria Garcia joined the Group in 2006 and worked as the sales and marketing director of corporate sales for 6 years. After she left, she held different positions in the gaming sector and established her own business. She has significant experience and a proven track record in the gaming industry and rejoined the Group's leadership team on 6 February 2020, responsible for the company's advancement in Macau SAR and Southeast Asia. In November 2022, she took over the responsibility of sales, and is also responsible for the Company's advancement and development in both Macau SAR and Southeast Asian markets.

CORPORATE GOVERNANCE REPORT

Asia Pioneer Entertainment Holdings Limited (the "**Company**", together its subsidiaries the "**Group**") is committed to fulfilling its responsibilities to its shareholders (the "**Shareholders**") and protecting and enhancing Shareholders' value through good corporate governance.

The directors of the Company (the "**Directors**") recognise the importance of incorporating elements of good corporate governance in the management structures, internal control and risk management procedures of the Group so as to achieve effective accountability.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted and has complied with all applicable code provisions as set out in the Corporate Governance Code (the "**CG Code**") as contained in Appendix 15 to the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**" and the "**GEM Listing Rules**", respectively) during the year ended 31 December 2022 (the "**Year**") and period thereafter up to the date of this annual report (collectively, the "**Period**").

In December 2021, the Stock Exchange published the conclusions on Review of CG Code. Most of the amendments are applicable for financial year commencing on or after 1 January 2022. The new amendments under the amended CG Code have been adopted by the Company as its corporate governance practices.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the required standard of dealings in the securities as contained in Rules 5.48 to 5.67 of the GEM Listing Rules (the "**Required Standard of Dealings**") as the code of conduct for dealing in the securities of the Company by the Directors. In response to a specific enquiry made by the Company on each of the Directors, all Directors have confirmed that they had complied with the Required Standard of Dealings during the Period.

BOARD OF DIRECTORS

Responsibilities

The board of Directors (the "**Board**") is primarily responsible for overseeing and supervising the management of the business affairs and the overall performance of the Group. The Board sets the Group's values and standards and ensures that the requisite financial and human resources support is in place for the Group to achieve its objectives. The functions performed by the Board include but are not limited to formulating the Group's business and investment plans and strategies, deciding all significant financial (including major capital expenditure) and operational issues, developing, monitoring and reviewing the Group's corporate governance practices and all other functions reserved to the Board under the Company's amended and restated articles of association (the "**Articles of Association**"). The Board has established Board committees and has delegated to these Board committees various responsibilities as set out in their respective terms of reference. The Board may from time to time delegate certain functions to management of the Group (the "**Management**") if and when considered appropriate. The Management is mainly responsible for the execution of the business plans, strategies and policies adopted by the Board and other duties assigned to it from time to time.

A healthy corporate culture across the Group is vital for the Company to achieve its vision and mission towards sustainable growth. The Board is responsible for leading, shaping, developing and fostering a corporate culture to guide the behavior of its employees and ensuring that the Company's vision, values and business strategies are aligned to it.

Purpose

- To commit experience and knowledge of ELECTRONIC GAMING EQUIPMENT and SMART VENDING MACHINE, we provide enterprises and customers with "diversified and innovative" entertainment and life experiences.

- To strive to use its unique expertise, capabilities and experience to provide quality ELECTRONIC GAMING EQUIPMENT and SMART VENDING MACHINE services/products/solution to its customers/clients and become one of the leading ELECTRONIC GAMING EQUIPMENT and SMART VENDING MACHINE solution/services/products providers in the Macau Special Administrative Region and Southeast Asia.

- To strive to offer more advanced and reliable products, and better services through continuous technical innovation to meet the needs of society and to bring people a better life.

Values

Our values underpin the Company's success and guide our actions in achieving continuous and sustainable growth. These values also reflect our culture which defines the qualities and behaviours of our people who help us make our purpose a reality.

- Continuous growth/Sustainable development

- Care for Customers/Clients

- Innovation

- Developing Our People

- Health and Safety

- Mutual Respect and Integrity

- Diversity and Equality

Strategies

The Company aims to achieve its purpose and values through the following strategies:

- To build partnerships and collaboration to create value.

- To make sure Management's decisions and actions do not clash with our stated values.

- To manage and balance the risks and opportunities of our business responsibly.

- To upgrade the Company's facilities/use advanced technology/consider transformation projects in order to enhance the Company's competitiveness/improve productivity/achieve organic growth/comply with the ongoing changes of rules and regulations.

- To build trust with employees by being transparent. Management to keep team members informed and provide them with regular updates on the Company's strategy and development through hosting town halls/regular meetings, publishing newsletters, etc.

CORPORATE GOVERNANCE REPORT

The Directors have full access to information of the Group and are entitled to seek independent professional advice in appropriate circumstances at the Company's expense.

Composition

The Company is committed to holding the view that the Board should include a balanced composition of executive Directors (the "**EDs**" and each an "**ED**") and non-executive Directors (including independent non-executive Directors (the "**INEDs**" and each an "**INED**") so that there is a strong independent element on the Board, which can effectively exercise independent judgment.

As at the date of this annual report, the Board comprises the following six Directors, of which the INEDs in aggregate represent 50% of the Board members:

EDs

Mr. Huie, Allen Tat Yan ("**Mr. Huie**") (the "**Chairman**")
Mr. Ng Man Ho Herman ("**Mr. Ng**") (Chief Executive Officer (the "**CEO**"))
Mr. Chan Chi Lun ("**Mr. Chan**") (Chief Financial Officer (the "**CFO**") and the compliance officer)

INEDs

Mr. Choi Kwok Wai ("**Mr. Choi**")
Mr. Ma Chi Seng ("**Mr. Ma**")
Mr. Ho Kevin King Lun ("**Mr. Ho**")

The biographical details of each of the Directors are set out in the section headed "Biographical Details of the Directors and Senior Management" of this annual report.

There was no financial, business, family or other material relationship among the Directors during the Period.

The INEDs have brought in a wide range of business and financial expertise, experience and independent judgment to the Board. Through active participation in the Board meetings and serving on various Board committees, all INEDs will continue to make various contributions to the Company.

Throughout the Period, the Company had three INEDs, meeting the requirements of the GEM Listing Rules that the number of INEDs must represent at least one-third of the Board members, and that at least one of the INEDs has appropriate professional qualifications or accounting or related financial management expertise.

The Board is committed to assessing the independence of the INEDs annually and ensuring that independent views and input are made available to the Board, and conducting annual review of the implementation and effectiveness of such mechanism (s). And Board independence is critical to good corporate governance and to have the mechanisms in place will ensure a strong independent element on the Board of the Company. INEDs enhance the effectiveness and decision-making of the Board by providing objective judgment and constructive challenge to Management.

The Company has received an annual confirmation of independence in writing from each of the INEDs pursuant to Rule 5.09 of the GEM Listing Rules. Based on such confirmation and not aware of any unfavourably reported incidents, the Company considers that all the INEDs are independent and have met the independence guidelines as set out in Rule 5.09 of the GEM Listing Rules during the Period.

Composition of the Board and Board Committees

- The Board endeavors to ensure the appointment of at least three INEDs and at least one-third of its members being INEDs (or such higher threshold as may be required by the GEM Listing Rules from time to time).

- Apart from complying with the requirements prescribed by the GEM Listing Rules as to the composition of certain Board committees, INEDs will be appointed to other Board committees as far as practicable to ensure independent views are available.

- The Board seeks to strike an appropriate balance between continuity of experience and refreshment regarding tenure of the Board.

Independence Assessment

- The Nomination Committee must strictly adhere to the Nomination Policy and the independence assessment criteria as set out in the GEM Listing Rules (the "**Independence Criteria**") with regard to the nomination and appointment of INEDs.

- Every INED is required to confirm in writing to the Company his/her independence upon his/her appointment as Director and on an annual basis with reference to the Independence Criteria. Where an INED fails to meet any of the Independence Criteria, the Company will disclose the reasons why such Director is still considered to be independent in the annual reports.

- Each INED is also required to inform the Company as soon as practicable if there is any change in his/her own personal particulars that may materially affect his/her independence.

- The Nomination Committee is mandated to assess annually the independence of all INEDs to ensure each of the INEDs satisfies the Independence Criteria and is free from any relationships and circumstances which are likely to affect, or could appear to affect, their independent judgement. Every Nomination Committee member abstains from assessing his/her own independence.

- Where the Board proposes a resolution to elect an individual as an INED at the general meeting, it will set out in the circular to Shareholders and/or explanatory statement accompanying the notice of the relevant general meeting why it believes he/she should be elected and the reasons why it considers him/her to be independent.

- All INEDs are expressly identified as such in the Company's corporate communications that disclose the Directors' names.

During the Year, the Chairman, being an ED, has held a meeting with the INEDs without the presence of other EDs.

Proper insurance coverage has been arranged by the Company to cover the Directors against any liability incurred by them in their discharge of their duties.

CORPORATE GOVERNANCE REPORT

Directors' Induction and Continuing Professional Development

Each of the Directors has received a formal, comprehensive and tailored induction on the first occasion of his appointment to ensure that he has a proper understanding of the Company's operations and business and is fully aware of the Director's responsibilities under statue and common law, the GEM Listing Rules, other legal and regulatory requirements and the Company's business and governance policies.

The Company will from time to time provide briefings to all Directors to develop and refresh their duties and responsibilities. All Directors are also encouraged to attend relevant training courses at the Company's expense and they have been requested to provide the Company with their training records. According to the training records maintained by the Company, the continuing professional development programmes received by each of the Directors during the Year is summarised as follows:

Name of Directors	Type of trainings
Mr. Huie	A and B
Mr. Ng	A and B
Mr. Chan	A and B
Mr. Choi	A and B
Mr. Ma	A and B
Mr. Ho	A and B

A: attending seminars/conferences/forums

B: reading newspapers, journals and updates relating to the economy, general business, corporate governance and Directors' duties and responsibilities

Meetings of the Board and Directors' Attendance Records

The Board is scheduled to meet four times a year at approximately quarterly intervals with notice given to the Directors at least 14 days in advance. For all other Board meetings, notice will be given in a reasonable time in advance. The Directors are allowed to include any matter in the agenda that is required for discussion and resolution at the meeting. To enable the Directors to be properly briefed on issues arising at each of the Board meetings and to make informed decisions, an agenda and the accompanying Board papers will be sent to all Directors at least three days before the intended date of the Board meeting, or such other period as agreed. The company secretary of the Company (the "**Company Secretary**") is responsible for keeping all Board meetings' minutes. Draft and final versions of the minutes will be circulated to the Directors for comments and record respectively within a reasonable time after each meeting and the final version is open for the Directors' inspection.

During the Year, the Board held four meetings and, amongst other matters, considered and approved (i) the audited consolidated financial statements of Group for the year ended 31 December 2021 ("**FY2021**"); (ii) the abridged unaudited consolidated financial results of the Group for the three months ended 31 March 2022; (iii) the unaudited consolidated financial statements of the Group for the six months ended 30 June 2022; and (iv) the abridged unaudited consolidated financial results of the Group for the nine months ended 30 September 2022.

CORPORATE GOVERNANCE REPORT

The attendance record of each current Directors at the above Board meetings is as follows:

Name	Position	Total number of meetings attended
Mr. Huie	Co-founder, Chairman and ED	4
Mr. Ng	CEO and ED	4
Mr. Chan	CFO and ED	4
Mr. Ma	INED	1
Mr. Ho	INED	4
Mr. Choi	INED	4

The Board held a meeting on 27 March 2023 and, amongst other matters, considered and approved the audited consolidated financial statements of the Group for the Year (the "**Consolidated Financial Statements**"). All the Directors attended the Board meeting.

During the Year, the Company held the annual general meeting of the Shareholders on 11 May 2022. All the Directors attended such meeting.

Board Diversity Policy

The Board adopted a policy of the Board diversity and discussed all measurable objectives set for implementing the same.

The Board reviews the implementation and effectiveness of the Company's policy on board diversity on an annual basis.

The Company recognises and embraces the benefits of a diversity of Board members. It endeavours to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. All Board appointments will continue to be made on a merit basis with due regard for the benefits of diversity of the Board members. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills and knowledge.

Dividend Policy

The Company has adopted a dividend policy (the "**Dividend Policy**") which allows the Shareholders to share the distributable profits of the Company whilst retaining adequate reserves for the Group's future growth. The declaration and amount of dividends shall be determined at the sole discretion of the Board. Pursuant to the Dividend Policy, in deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account, inter alia, the following factors:

In deciding whether to propose a dividend and in determining an appropriate basis for dividend distribution, the Board will take into account the Group's strategies, business cycle, operations, earnings, financial condition, cash requirements and availability as well as capital expenditure and future development requirements; the possible effects of the Group's credit-worthiness, the financial covenants to which the Group is subject and any restrictions on the payment of dividends that may be imposed by the Group's lenders; the interests of the Shareholders, the dividend received/receivable by the Company from its subsidiaries and the taxation consideration; the general economic and political conditions and other internal and external factors that may have an impact on the business and financial performance of the Group; any restrictions under all applicable laws (including the Companies Act of the Cayman Islands), rules, codes and regulations, the financial reporting standards that the Group has adopted as well as the Articles of Association and other factors that the Board may consider appropriate.

CORPORATE GOVERNANCE REPORT

Whistleblowing Policy

The Company has established a whistleblowing policy. The policy aims to provide a supportive process that encourages and enables employees to raise concerns about misconduct and will give them confidence that their concerns will be properly investigated and resolved in a timely manner with the Audit Committee.

Every reported case will be handled with confidentiality, except where the Group is required by law or regulation to disclose, and followed through in accordance with the Group's Unethical Conduct Notification Policy & Procedures. The Group will not tolerate any kind of retaliation for reports or complaints regarding misconduct made in good faith. A reporting person is assured that making the report will not personally disadvantage him/her by dismissal, demotion, suspension, harassment, discrimination or bias.

All persons making reports should be reasonably sure of the truth of their concerns before making the report. Employees or other relevant parties are strongly encouraged to provide their names and contact details in their report such that the reported case can be handled properly shall clarifications or further information be required. The Group is committed to protecting the reporting person's identity and treating all disclosures with strict confidentiality and legal protection. In some cases, however, reports may be submitted anonymously if the reporting person is uncomfortable disclosing his/her identity. Such cases will be considered as far as practicable.

Abuse of the confidential reporting process will not be tolerated. All reports must be made in good faith. The Group reserves the right to take appropriate actions against the person who makes the report to recover any loss or damage as a result of the false report for any report made maliciously or in bad faith. Employees who abuse the reporting process will face disciplinary action.

Anti-Corruption Policy

The Company also has established policy and system that promote and support anti-corruption laws and regulations. The Company is committed to conducting business in an ethical and honest manner and is committed to implementing and enforcing systems that ensure all forms of bribery, corruption, and fraud are prevented. The Company has zero tolerance for corrupt activities.

Corruption can be described as: giving or receiving anything from any person (usually money, a gift, loan, reward, favour, commission or entertainment), as an improper inducement or reward for obtaining business, employment or any other benefit. Corruption can therefore include, but are not limited to:

- gifts and excessive or inappropriate entertainment, hospitality, travel and accommodation expenses;
- payments, whether by employees or business partners such as recruiters, labour service providers or consultants; and
- other 'favours' provided to supervisors, such as making unwanted advances, payments or promises.

The Company will not make donations, whether in cash, kind, or by any other means, to support any political parties or candidates. We recognise this may be perceived as an attempt to gain an improper business advantage.

The Company accepts (and indeed encourages) the act of donating to charities – whether through services, knowledge, time, or direct financial contributions (cash or otherwise) – and agrees to disclose all charitable contributions it makes. Employees must be careful to ensure that charitable contributions are not used to facilitate and conceal acts of bribery. We will ensure that all charitable donations made are legal and ethical under local laws and practices, and that donations are not offered/made without the approval of the line manager.

CHAIRMAN AND CHIEF EXECUTIVE

Code provision C.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. During the Period, Mr. Huie acted as the Chairman and Mr. Ng acted as the CEO. The roles of the Chairman and the CEO have been separated and assumed by different individuals to ensure a balance of power and authority so that power is not concentrated in any member of the Board. The respective roles and responsibilities of the Chairman and the CEO are set out in writing.

BOARD COMMITTEES

The Board has established four Board committees, namely the Audit Committee, the Nomination Committee, the Remuneration Committee and the Risk Management Committee to oversee particular aspects of the Company's affairs. The Board committees are provided with sufficient resources to discharge their duties.

Audit Committee

The Audit Committee was established on 15 November 2017 with written terms of reference in compliance with the CG Code. The written terms of reference of the Audit Committee (the "**Terms of Reference**") are published on the respective websites of the Stock Exchange and the Company. The Audit Committee comprises all the INEDs, namely Mr. Choi, Mr. Ma and Mr. Ho. Mr. Choi is the chairman of the Audit Committee.

The principal roles and functions of the Audit Committee include but are not limited to:

- making recommendations to the Board on the appointment, re-appointment and removal of the external auditor, and approving its remuneration and terms of engagement, and handling any questions regarding its resignation or dismissal;

- reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards and discussing with the external auditor on the nature and scope of the audit and reporting obligations before the audit commences;

- developing and implementing a policy on engaging external auditor to supply non-audit services and reporting to the Board, identifying and making recommendations on any matters where action or improvement is needed;

- monitoring the integrity of the Company's financial statements and annual reports and financial statements, half-year reports and quarterly reports, and reviewing significant financial reporting judgments contained in them;

- reviewing the Company's financial controls, and risk management and internal control systems;

- discussing the risk management and internal control systems with Management to ensure that Management has performed its duty to have such effective systems;

CORPORATE GOVERNANCE REPORT

- considering major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and Management's response to these findings;

- where an internal audit function exists, ensuring co-ordination between the internal and external auditors and ensuring that the internal audit function is adequately resourced and has appropriate standing within the Company, and reviewing and monitoring its effectiveness;

- reviewing the Group's financial and accounting policies and practices;

- reviewing the external auditor's management letter, any material queries raised by the external auditor to Management about the accounting records, financial accounts or systems of control and Management's response;

- ensuring that the Board will provide a timely response to the issues raised in the external auditor's management letter;

- reviewing the arrangements that the employees of the Group can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters; and

- considering other topics as defined by the Board.

During the Year, four Audit Committee meetings were held and, amongst other matters, reviewed and approved for presentation to the Board for consideration and approval of the draft audited consolidated financial statements of the Group for FY2021, the unaudited consolidated financial statements of the Group for the three months ended 31 March 2022, the unaudited consolidated financial statements of the Group for the six months ended 30 June 2022 and the unaudited consolidated financial statements for the nine months ended 30 September 2022.

The attendance record of the members of the Audit Committee at the above Audit Committee meetings is as follows:

Name	Position	Total number of meetings attended
Mr. Choi	INED	4
Mr. Ma	INED	1
Mr. Ho	INED	4

The Audit Committee held a meeting on 27 March 2023 and, amongst other matters, considered and approved for presentation to the Board for consideration and approval of (i) the audited Consolidated Financial Statements; and (ii) audit-related matters.

Mr. Choi, Mr. Ho and Mr. Ma attended the above meeting in their respective capacities as the chairman and members of the Audit Committee.

Nomination Committee

The Nomination Committee was established on 15 November 2017 with written terms of reference in compliance with the CG Code. The written terms of reference of the Nomination Committee are published on the respective websites of the Stock Exchange and the Company. The Nomination Committee comprises two INEDs, namely Mr. Ma and Mr. Ho, and Mr. Huie, the Chairman and an ED. Mr. Huie is the chairman of the Nomination Committee.

The principal roles and functions of the Nomination Committee include but are not limited to:

- reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

- identifying individuals suitably qualified to become members of the Board and selecting or making recommendations to the Board on the selection of individuals nominated for directorships;

- assessing the independence of the INEDs;

- making recommendations to the Board on the appointment or re-appointment of Directors and the succession planning for the Directors, in particular, the Chairman and the CEO; and

- reviewing and monitoring the implementation of the Board diversity policy as adopted by the Board.

During the Year, one Nomination Committee meeting was held and, amongst other matters, reviewed the structure, size and composition of the Board, assessed the independence of the INEDs and recommended to the Board for consideration the re-appointment of the retiring Directors at the annual general meeting of the Company ("**AGM**") held on 11 May 2022. Each of the members of the Nomination Committee attended the above meeting in the capacity of the chairman or a member of the Nomination Committee.

The Nomination Committee held a meeting on 27 March 2023 and, amongst other matters, reviewed the structure, size and composition of the Board, assessed the independence of the INEDs and recommended to the Board for consideration the re-appointment of the retiring Directors at the forthcoming AGM. Mr. Huie, Mr. Ho and Mr. Ma attended such meeting in their respective capacities as the chairman and members of the Nomination Committee.

The Board selects INEDs based on their qualification and experience and hence their ability to contribute to the affairs of the Group, and of overriding importance is their possession of a mindset that is independent and constructively challenges Management's views. INEDs' familiarity with the business and the industry over the years has enabled them to contribute to the management of the risks involved as well as add to the diversity of the skills and perspectives of the Board. Continuity of the INEDs provides stability to the Board's decision-making process, compensating for any turnover in the executive management team. The Board believes that the long tenure of some of the INEDs does not compromise their independence but instead brings significant positive qualities.

During the Period, none of the INEDs have served more than nine years on the Board. The Board, however, recognises the importance of succession to balance the mix of deep understanding of the Group's business with fresh ideas and perspectives. The Board will periodically evaluate the composition of INEDs so as to sustain its source of independent views.

Nomination Policy

The Board has adopted a nomination policy. Such policy sets out the criteria and procedures of considering candidates to be appointed or re-appointed as Directors. When the Board recognises the need to appoint a Director, the Nomination Committee may identify or select candidates recommended to the Nomination Committee, with or without assistance from external agencies. The Nomination Committee may then use any process that it considers appropriate in connection with its evaluation of a candidate, including but not limited to personal interviews and background checks. The Nomination Committee will have regard to the following factors when considering a candidate including but without limitation:

- skills, knowledge, experience, expertise, professional and educational qualifications, background and other personal qualities of the candidate;
- effect on the Board's composition and diversity; and
- independence of the candidate.

Remuneration Committee

The Remuneration Committee was established on 15 November 2017 with written terms of reference in compliance with the CG Code. The written terms of reference of the Remuneration Committee are published on the respective websites of the Stock Exchange and the Company. The Remuneration Committee comprises two INEDs, namely Mr. Ma and Mr. Ho and Mr. Huie, the Chairman and an ED. Mr. Ho is the chairman of the Remuneration Committee.

The principal roles and functions of the Remuneration Committee include but are not limited to:

- making recommendations to the Board on the Company's policy and structure for the remuneration of all Directors and senior management of the Company (the "**Senior Management**") and on the establishment of a formal and transparent procedure for developing the remuneration policy;
- reviewing and approving Management's remuneration proposals by reference to the Board's corporate goals and objectives;
- making recommendations to the Board on the remuneration packages of individual EDs and Senior Management including basic salaries, benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;
- making recommendations to the Board on the remuneration of the non-executive Directors;
- considering the salaries paid by comparable companies, Board members' time commitment and responsibilities and employment conditions elsewhere in the Group;
- reviewing and approving the compensation payable to the EDs and Senior Management for any loss or termination of office or appointment to ensure that it is consistent with the contractual terms and is otherwise fair and not excessive;

- reviewing and approving the compensation arrangements relating to the dismissal or removal of the Directors for misconduct to ensure that they are consistent with the contractual terms and are otherwise reasonable and appropriate;

- ensuring that no Director or any of his associates (as defined in the GEM Listing Rules) is involved in deciding his own remuneration; and

- reviewing and/or approve matters relating to share schemes under Chapter 23 of the GEM Listing Rules.

During the Year, one Remuneration Committee meeting was held and, amongst other matters, reviewed and recommended to the Board for consideration certain remuneration-related matters of the Directors and the Senior Management. Each of the members of the Remuneration Committee attended the above meeting in the capacity of the chairman or a member of the Remuneration Committee.

The Remuneration Committee held a meeting on 27 March 2023, and reviewed and recommended to the Board for consideration certain remuneration-related matters of the Directors and the Senior Management.

Mr. Ho, Mr. Huie and Mr. Ma attended such meeting in their respective capacities as the chairman and members of the Remuneration Committee.

Risk Management Committee

The Risk Management Committee was established on 15 November 2017. The primary functions of the Risk Management Committee include but are not limited to reviewing the Company's risk management policies and standards and monitoring the Company's exposure to sanctions law risks. The Risk Management Committee comprises Mr. Huie, the Chairman and an ED, Mr. Ng, the CEO and an ED and Mr. Chan, the CFO, an ED and the compliance officer. Mr. Huie is the chairman of the Risk Management Committee.

During the Year, the Risk Management Committee held a meeting on 25 March 2022 and considered certain risk management matters. Mr. Huie, Mr. Ng and Mr. Chan attended such meeting.

The Risk Management Committee held a meeting on 27 March 2023, and reviewed certain risk management matters. Mr. Huie, Mr. Ng and Mr. Chan attended such meeting in their respective capacities as the chairman and members of the Risk Management Committee.

Corporate Governance Functions

The Board is responsible for performing the corporate governance functions, which include:

- developing and reviewing the Company's policies and practices on corporate governance;

- reviewing and monitoring the training and continuous professional development of the Directors and the Senior Management;

- reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;

- developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and the Directors; and

- reviewing the Company's compliance with the CG Code and disclosure in this report.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of Mr. Huie and Mr. Ng, the EDs and Mr. Choi, Mr. Ma and Mr. Ho, the INEDs has entered into a service contract or letter of appointment with the Company on 25 October 2017 for a term of three years commencing on 15 November 2017, and the contracts and letters have been renewed on 30 October 2020 for a term of another three years commencing on 15 November 2020; while Mr. Chan has entered into a service contract with the Company for a term of three years commencing on 1 February 2019 which has been renewed on 25 January 2022 for another three years commencing on 1 February 2022. All contracts of the EDs may be terminated by not less than three months notice served by either party on the other, and is subject to the termination provisions therein and provisions on retirement by rotation of Directors as set out in the Articles of Association.

Each of the INEDs has entered into a letter of appointment with the Company, which may be terminated by not less than three months' notice served by either party on the other and is subject to the termination provisions therein and provisions on retirement by rotation of Directors as set out in the Articles of Association.

Should the INEDs have served more than nine years on the Board, the Company should:

(a) disclose the length of tenure of each existing INED on a named basis in the circular to Shareholders and/or explanatory statement accompanying the notice of the AGM; and

(b) appoint a new INED director on the Board at the forthcoming AGM.

Saved as disclosed aforesaid, none of the Directors has a service agreement or letter of appointment with the Company or any of its subsidiaries other than the contracts/letters of appointment expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

All the Directors, including INEDs, are subject to retirement by rotation and eligible for re-election in accordance with the Articles of Association. At each AGM, at least one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation, provided that each Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election. The Directors to retire by rotation shall include (so far as necessary to obtain the number required) any Director who wishes to retire and does not offer himself for re-election. Any Director who has not been subject to retirement by rotation in the three years preceding the AGM shall retire by rotation at such AGM. Any further Directors so to retire shall be those who have been the longest in office since their last re-election or appointment and so that as between the persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot. A Director is not required to retire upon reaching any particular age.

The Company may from time to time in general meeting by ordinary resolution elect any person to be a Director either to fill a casual vacancy or as an additional Director. Any Director so appointed shall be subject to retirement by rotation.

The Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an additional Director, but so that the number of Directors so appointed shall not exceed the maximum number (if any) determined from time to time by the Shareholders in a general meeting. Any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following AGM and shall then be eligible for re-election. Any such Director appointed shall not be taken into account in determining the number of Directors who are to retire by rotation at an AGM.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Particulars of the Directors' remuneration for the Year are set out in Note 11 to the Consolidated Financial Statements.

Pursuant to code provision E.1.5 of the CG Code, the remuneration of the members of the Senior Management (other than the Directors) whose particulars are contained in the section headed "Biographical Details of the Directors and Senior Management" in this annual report for the Year by band is set out below:

Remuneration band (in HK$)	Number of individuals
Nil to 1,000,000	2

INDEPENDENT AUDITOR'S REMUNERATION

Grant Thornton Hong Kong Limited ("**Grant Thornton**") was engaged as the Group's Independent Auditor (the "**Independent Auditor**") for the Year.

The remuneration paid/payable to Grant Thornton in respect of the Year is set out below:

Audit service	*HK$*
Audit of the Group's consolidated financial statements for the year ended 31 December 2022	800,000

The remuneration paid/payable to Grant Thornton in respect of the Year is set out below:

Non-audit service	*HK$*
Review of the Group's condensed consolidated financial statements for the six months ended 30 June 2022	90,000

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for the preparation of the Consolidated Financial Statements, which give a true and fair view of the Group's state of affairs, results and cash flows for the Year and are properly prepared on a going concern basis in accordance with the applicable statutory requirements as well as accounting and financial reporting standards.

The Directors were not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

In addition, the statement by the Independent Auditor regarding its responsibilities on the Consolidated Financial Statements is set out on the Independent Auditor's Report on pages 71 to 77 of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Company has in place policies and procedures in relation to risk management and internal control. The Board is primarily responsible for overseeing the risk management and internal control systems and for reviewing their effectiveness. The Company's internal control system and procedures are designed to meet its specific business needs and to minimise its risk exposure. The Company has adopted different internal guidelines, along with written policies and procedures to monitor and lessen the impact of risks which are relevant to its business and control its daily business operations. Management will identify the risks (including environmental, social and governance ("**ESG**") risks) associated with the Group's day-to-day operations for review by the Board. The Board is responsible for evaluating and determining the nature and extent of the risks (including ESG risks) that the Company is willing to take in achieving the Company's strategic objectives, and ensuring that the Company establishes and maintains appropriate and effective risk management and internal control systems. The Board oversees Management in the design, implementation and monitoring of the risk management and internal control systems. The Board acknowledges that such risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss. Since 15 November 2017, the internal audit function of the Company has been carried out under the leadership of the Board and the Risk Management Committee. The Company will consider engaging an internal control consultant to review the Group's internal control system on an annual basis.

During the Year, the Board, through the Risk Management Committee, has conducted a review of the effectiveness of the risk management and internal control systems of the Group covering all material controls, including financial, operational and compliance controls functions. The Board considers that the Group's risk management and internal control systems are adequate and effective. As part of the annual statutory audit, the Company's external auditor conducted an annual review, in accordance with their audit plan, on the adequacy and effectiveness of the Company's risk management and internal control systems, including financial, operational, compliance and information technology controls as well as those relating to the Company's ESG performance and reporting. Any material non-compliance or failures in internal controls and recommendations or improvements are reported to the Risk Management Committee. The Risk Management Committee also reviews the effectiveness of the actions taken on the recommendations made by the external auditor in this respect, if any.

CORPORATE GOVERNANCE REPORT

Based on the external auditor's reports, the actions taken by Management, the on-going review and continuing efforts in enhancing internal controls and processes, the Board, with the concurrence of the Risk Management Committee, is of the opinion that the system of internal controls and risk management that had been maintained by Management throughout the Year was adequate and effectively met the needs of the Group in its current business environment, and addressed the financial operational, compliance and information technology risks.

The Board expects that a review of the risk management and internal control systems will be performed annually.

DISCLOSURE OF INSIDE INFORMATION

The Group acknowledges its responsibilities under the Securities and Future Ordinance and the GEM Listing Rules and the overriding principle that inside information should be announced immediately when it is the subject of a decision. The procedures and internal controls for the handling and dissemination of inside information are as follows:

- the Group conducts its affairs with close regard to the disclosure requirement under the GEM Listing Rules as well as the "Guidelines on Disclosure of Inside Information" published by the Securities and Futures Commission of the Hong Kong Special Administrative Region ("**Hong Kong SAR**") in June 2012;

- the Group has implemented and disclosed its policy on fair disclosure by pursuing broad, non-exclusive distribution of information to the public through channels such as financial reporting, public announcements and the Company's website;

- the Group has strictly prohibited unauthorised use of confidential or inside information; and

- the Group has established and implemented procedures for responding to external enquiries about the Group's affairs, so that only the EDs are authorised to communicate with parties outside the Group.

COMPANY SECRETARY

The Company has appointed Ms. Yue Sau Lan ("**Ms. Yue**") as the Company Secretary with effect from 28 December 2020.

Ms. Yue was nominated by Boardroom Corporate Services (HK) Limited ("**Boardroom**") to act as the Company Secretary and Boardroom has been providing certain corporate secretarial services to the Company pursuant to an engagement letter entered into between the Company and Boardroom. The primary person at the Company with whom Ms. Yue has been contacting in respect of company secretarial matters is Mr. Chan, the CFO, an ED and the compliance officer.

Ms. Yue attended over 15 hours' relevant continuous professional development training during the Year pursuant to rule 5.15 of the GEM Listing Rules.

All members of the Board have access to the advice and services of the Company Secretary. The appointment and removal of the Company Secretary has been/will be subject to the Board's approval at its meeting.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS

Procedures for Putting Forward Proposals at Shareholders' Meetings

There is no provision allowing Shareholders to make proposals or move resolutions at the AGMs under the Articles of Association or the laws of the Cayman Islands. Shareholders who wish to make proposals or move a resolution may, however, convene an extraordinary general meeting (the "**EGM**") in accordance with the "Procedures for Shareholders to convene an EGM" set out below.

Procedures for Shareholders to Convene an EGM

Any one or more Shareholders holding at the date of deposit of the requisition not less than 10% of the paid-up capital of the Company having the right of voting at general meetings of the Company (the "**Eligible Shareholder(s)**") shall at all times have the right, by written requisition to the Board or the Company Secretary for the purpose of requiring an EGM to be called by the Board for the transaction of any business specified in such requisition, including making proposals or moving a resolution at the EGM.

Eligible Shareholders who wish to convene an EGM for the purpose of making proposals or moving a resolution at the EGM must deposit a written requisition (the "**Requisition**") signed by the Eligible Shareholder(s) concerned (the "**Requisitionist(s)**") at the principal place of business of the Company in Hong Kong SAR (presently 31/F., 148 Electric Road, North Point, Hong Kong) for the attention of the Company Secretary.

The Requisition must state clearly the name(s) of the Requisitionist(s) concerned, his/her/their shareholding in the Company, the reason(s) to convene an EGM and the proposed agenda.

The Company will check the Requisition and the identity and shareholding of the Requisitionist(s) will be verified with the Company's branch share registrar in Hong Kong SAR. If the Requisition is found to be proper and in order, the Company Secretary will ask the Board to convene an EGM and/or include the proposal(s) made or the resolution(s) proposed by the Requisitionist(s) at the EGM within 2 months after the deposit of the Requisition. On the contrary, if the Requisition has been verified as not in order, the Requisitionist(s) will be advised of the outcome and accordingly, the Board or the Company Secretary will not call for an EGM nor include the proposal(s) made or the resolution(s) proposed by the Requisitionist(s) at the EGM.

If within 21 days of the deposit of the Requisition the Board or the Company Secretary fails to proceed to convene such meeting, the Requisitionist(s) himself/herself/themselves may do so in the same manner, and all reasonable expenses incurred by the Requisitionist(s) as a result of the failure of the Board or the Company Secretary to convene an EGM shall be reimbursed to the Requisitionist(s) by the Company.

Procedures for Shareholders to Send Enquiries to the Board

Shareholders may direct their enquiries about their shareholdings or their notification of change of correspondence address or their dividend/distribution instructions to the Company's branch share registrar in Hong Kong SAR, Boardroom Share Registrars (HK) Limited at Room 2103B, 21/F., 148 Electric Road, North Point, Hong Kong.

Shareholders may send their enquiries and concerns to the Board by post to the headquarters and principal place of business of the Company in the Macau Special Administrative Region, or by email to ir@apemacau.com, for the attention of the Company Secretary.

Upon receipt of the enquiries, the Company Secretary will forward the communications relating to:

1. the matters within the Board's purview to the EDs;

2. the matters within a Board committee's area of responsibility to the chairman of the appropriate committee; and

3. ordinary business matters, such as suggestions, enquiries and client complaints to the appropriate Management.

COMMUNICATION WITH THE SHAREHOLDERS

The Company has adopted a Shareholders' communication policy with the objective of ensuring that the Shareholders will have equal and timely access to information about the Company in order to enable the Shareholders to exercise their rights in an informed manner and allow them to engage actively with the Company.

Information will be communicated to the Shareholders through the Company's financial reports, AGMs and other EGMs that may be convened as well as all the published disclosures submitted to the Stock Exchange.

CONSTITUTIONAL DOCUMENTS

There was no change in the constitutional documents of the Company during the Year.

DIRECTORS' REPORT

The directors of Asia Pioneer Entertainment Holdings Limited (the "**Company**" and the "**Directors**", respectively) are pleased to present their report together with the audited consolidated financial statements of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2022 (the "**Year**" or "**FY2022**" and the "**Consolidated Financial Statements**", respectively).

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are twofold: First, its EGE Business which involve the distribution, repair and consultancy of electronic gaming equipment ("**EGE**") to gaming operators in the Macau Special Administrative Region ("**Macau SAR**" or "**Macau**") as well as other regions in Asia. Second, its smart vending machines business which involve the operations of vending machines selling various Macau sourced products in Macau and the greater bay area. Details of the Company's principal subsidiaries are set out in note 30 to the Consolidated Financial Statements.

PRINCIPAL RISKS AND UNCERTAINTIES

Our Group's financial condition, results of operations, businesses and prospects would be affected by a number of risks and uncertainties. All the risks relating to our Group's businesses have been set out in the prospectus of the Company dated 31 October 2017 (the "**Prospectus**") under the section headed "Risk Factors".

BUSINESS REVIEW

A fair review of the business of the Group as well as the discussion and analysis of the Group's performance during the Year, and the material factors underlying its financial performance and financial position and the Group's future development can be found in the section headed "Chairman's Statement" on pages 3 to 4 and in the section headed "Management Discussion and Analysis" on pages 5 to 10 of this annual report. No important events affecting the Group have occurred since the end of the Year and up to the date of this annual report.

EGE Business:

	Technical sales and distribution of EGE *HK$*	Consultancy and technical services *HK$*	Repairs services *HK$*	Total *HK$*
Revenue	6,097,061	3,033,089	463,558	9,593,708
Cost of sales and services	(6,071,564)	(2,322,699)	(887,537)	(9,281,800)
Gross (loss)/profit	25,497	710,390	(423,979)	311,908
Gross loss/profit margin	0.4%	23.4%	-91.5%	3.3%

(i) Technical Sales and Distribution of EGE

For the Year, technical sales and distribution include the sale and distribution of various brands of EGE which the Group represents under its multi-brand distribution business model.

For the Year, revenue generated from technical sales and distribution, which includes the sales of spare parts, amounted to approximately HK$6.1 million, representing an increase of approximately 21% as compared with approximately HK$5 million for the year ended 31 December 2021 ("**FY2021**"). For FY2022 and FY2021, the revenue generated from this division represented approximately 58.0% and 65.9% of the Group's total revenue, respectively.

In terms of unit sales breakdown as measured by the number of seats, for the Year, 18 seats were sold with 10 electronic gaming machines ("**EGMs**") and 8 electronic table games ("**ETGs**") seats. This number represented a 50% decrease over the 36 seats in FY2021.

By number of seats	2022	2021	Change %
ETGs	**8**	24	-66.67%
EGMs	**10**	12	-16.67%
TOTAL	**18**	36	-50%

(ii) Consultancy and technical services

The Group provides technical and regulatory consultancy services to suppliers or manufacturers of EGE, and technical services to both manufacturers and casino operators.

For the Year, revenue generated from this division amounted to approximately HK$3.0 million compared with approximately HK$1.8 million in FY2021, a year-on-year increase of approximately 67.9%.

(iii) Repair services

The Group has invested into creating an integrated workshop in Macau SAR to repair slot machines, which are out of warranty from other manufacturers, for casino operators.

For the Year, revenue generated from this division amounted to approximately HK$0.46 million, representing a decrease of approximately 28.8% as compared with approximately HK$0.65 million for FY2021.

Smart VM Business:

Revenue	915,420
Cost of sales and services	(1,366,604)
Gross loss	(451,184)
Gross loss margin	-33%

DIRECTORS' REPORT

RESULTS AND DIVIDENDS

The results of the Group for the Year are set out in the consolidated statement of profit or loss and other comprehensive income on page 78 of this annual report.

During the Year, no dividend was made nor declared (FY2021: Nil).

The board of Directors (the "**Board**") has resolved not to recommend any final dividend for the Year.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the amended and restated articles of association of the Company (the "**Articles of Association**") or the laws of the Cayman Islands, which would oblige the Company to offer new shares of the Company (the "**Shares**") on a pro-rata basis to existing shareholders of the Company (the "**Shareholders**").

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to the long-term sustainability of the environment and the communities in which it operates. Acting in an environmentally responsible manner, the Group endeavours to comply with the laws and regulations regarding environmental protection and adopt effective measures to achieve efficient use of resources, energy saving and waste reduction.

The environmental, social and governance report of the Company containing the details of the environmental, social and governance performance of the Group is on pages 45 to 70 of this annual report.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Board is aware, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the Year, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

RELATIONSHIP WITH SUPPLIERS, CUSTOMERS, EMPLOYEES AND OTHER STAKEHOLDERS

The Group understands the importance of maintaining a good relationship with its suppliers, customers, employees and other stakeholders to meet its immediate and long term goals. During the Year, there was no material and significant dispute between the Group and its suppliers, customers, employees and/or other stakeholders.

DIVIDEND POLICY

The Board may declare dividends in the future after taking into account the Group's operations and earnings, capital requirement and surplus, general financial condition, contractual restrictions, capital expenditure and future development requirements, Shareholder's interests and other factors which they may deem relevant at such time. Any declaration and payment as well as the amount of dividends will be subject to the Company's constitutional documents and the Companies Act, Cap. 22 (Laws 3 of 1961, as consolidated and revised) of the Cayman Islands, including the approval of the Shareholders. Future declarations of dividends may or may not be reflected from the Company's historical declarations of dividends and will be at the absolute discretion of the Board.

PERMITTED INDEMNITY

Pursuant to the Articles of Association and the applicable laws and regulations, every Director shall be indemnified and secured harmless of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain in the execution of their duties in their offices. Such permitted indemnity provision has been in force throughout the Year. The Company has subscribed an insurance policy under which the Directors and the senior management of the Group (the "**Senior Management**") are indemnified from and against any losses, damages, liabilities and expenses arising from including but not limited to any proceedings brought against them during the performance of their duties and responsibilities.

ANNUAL GENERAL MEETING

The 2023 annual general meeting of the Company (the "**AGM**") will be held on Friday, 12 May 2023. A circular containing the details of the 2023 AGM and the notice of the 2023 AGM and the accompanying form of proxy will soon be dispatched to the Shareholders.

DISTRIBUTABLE RESERVES

The Company's reserves available for distribution comprise the share premium account less accumulated losses. As at 31 December 2022, the Company had no reserve available for distribution to the Shareholders, calculated in accordance with the Companies Act, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

Details of the movements in the reserves of the Company and the Group during the Year are set out in Note 31 to the Consolidated Financial Statements and in the consolidated statement of changes in equity, respectively.

PROPERTY AND EQUIPMENT

Details of the movements in property and equipment of the Group during the Year are set out in Note 14 to the Consolidated Financial Statements.

INTEREST CAPITALISED

No interest was capitalised by the Group during the Year (FY2021: Nil).

SHARE CAPITAL

Details of the Company's share capital and the movements therein during the Year are set out in Note 23 to the Consolidated Financial Statements.

DIRECTORS' REPORT

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers during the Year is as follows:

EGE Business:

	Percentage of the Group's total	
	Sales	**Purchases**
— The largest customer	25%	N/A
— 5 largest customers in aggregate	78%	N/A
— The largest supplier	N/A	50.7%
— 5 largest suppliers in aggregate	N/A	96.5%

SMART VM Business:

	Percentage of the Group's total	
	Sales	**Purchases**
— The largest supplier	N/A	23.81%
— 5 largest suppliers in aggregate	N/A	80.28%

Manufacture Companies:

None of the Directors, their associates or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's share capital) had any beneficial interest in the major customers and suppliers disclosed above at any time during the Year.

DIRECTORS

The Directors during the Year and up to the date of this annual report are as follows:

Executive Directors	Independent Non-executive Directors (the "INEDs")
Mr. Huie, Allen Tat Yan *(the "**Chairman**")* ("**Mr. Huie**")	Mr. Choi Kwok Wai ("**Mr. Choi**")
Mr. Ng Man Ho Herman *(Chief Executive Officer (the "**CEO**"))* ("**Mr. Ng**")	Mr. Ma Chi Seng ("**Mr. Ma**")
Mr. Chan Chi Lun *(Chief Financial Officer (the "**CFO**") and compliance officer)* ("**Mr. Chan**")	Mr. Ho Kevin King Lun ("**Mr. Ho**")

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

The biographical details of the Directors and the Senior Management are set out on pages 11 to 15 of this annual report.

DIRECTORS' REPORT

DIRECTORS' SERVICE CONTRACTS

Each of Mr. Huie and Mr. Ng, the executive Directors and Mr. Choi, Mr. Ma and Mr. Ho, the INEDs has entered into a service contract or letter of appointment with the Company on 25 October 2017 for a term of three years commencing on 15 November 2017 (the "**Listing Date**"), and the contracts and letters have been renewed on 30 October 2020 for a term of another three years commencing on 15 November 2020; while Mr. Chan, another executive Director, has entered into a service contract with the Company for a term of three years commencing on 1 February 2019 which has been renewed on 25 January 2022 for another three years commencing on 1 February 2022. All contracts of the executive Directors may be terminated by not less than three months' notice served by either party on the other, and is subject to the termination provisions therein and provisions on retirement by rotation of Directors as set out in the Articles of Association.

Each of the INEDs has entered into a letter of appointment with the Company, which may be terminated by not less than three months' notice served by either party on the other and is subject to the termination provisions therein and provisions on retirement by rotation of Directors as set out in the Articles of Association.

None of the Directors proposed for re-election at the forthcoming 2023 AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

INDEPENDENCE CONFIRMATION

The Company has received from each of the INEDs an annual written confirmation of his independence pursuant to Rule 5.09 of the Rules Governing the Listing of Securities on GEM (the "**GEM Listing Rules**") and considered that all of the INEDs are independent.

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and the five highest paid individuals of the Group are set out in Notes 11.1 and 11.2 to the Consolidated Financial Statements.

MANAGEMENT CONTRACTS

The Company did not enter into or have any management and administration contracts (except for the Directors' employment contracts) in respect of the whole or any principal business of the Company during the Year and up to the date of this annual report.

EMOLUMENT POLICY

In order to recruit, develop and retain talented employees, we offer competitive remuneration packages to the staff, including internal promotion opportunities and performance based bonuses. The remuneration packages are subject to review on a regular basis. The emoluments of the Directors are reviewed by the remuneration committee of the Board, having regard to the Company's operating results, individual performance, duties and responsibilities within the Group and comparable market statistics.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACT

No transaction, arrangement or contract of significance to which the Company, or any of its holding company or subsidiaries or its fellow subsidiaries was a party, and in which a Director or controlling Shareholders of the Company (as defined under the GEM Listing Rules) had a material interest, whether directly or indirectly, subsisted at the end of the Year or at any time during the Year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors or the substantial Shareholders (as defined under the GEM Listing Rules) of the Company or their respective close associates (as defined under the GEM Listing Rules) has interests in any business apart from the Group's business which competed or was likely to compete, either directly or indirectly, with the businesses of the Group during the Year and up to the date of this annual report.

CHANGE TO INFORMATION OF DIRECTORS

In accordance with Rule 17.50A(1) of the GEM Listing Rules, the change to information required to be disclosed pursuant to paragraphs (a) to (e) and (g) of Rule 17.50(2) of the GEM Listing Rules subsequent to the date of the Company's interim report for the six months ended 30 June 2022 is as follows:

- Mr. Huie ceased as a shareholder of LVA Ventures Limited, a venture capital firm in the Hong Kong Special Administrative Region on 17 February 2023, and Mr. Huie is not licensed under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**") to engage in Type 9 (asset management) regulated activity on 16 September 2021.

SHARE OPTION SCHEME

The share option scheme of the Company (the "**Share Option Scheme**") became effective upon the commencement of dealings of the Shares on the Stock Exchange 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 of Directors (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 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.

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 Year and there were no outstanding options as at 31 December 2022. 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".

NON-COMPETITION UNDERTAKING

On 25 October, 2017, Mr. Huie, Mr. Ng, and Mr. Chan (being the Substantial Shareholders) entered into a non-competition undertaking in favor of the Group (the "**Deed of Non-competition**" and the "**Non-competition**", respectively).

The Company has received from each of them a written confirmation on the compliance with the Non-competition during the Year. The INEDs have reviewed the status of compliance and not aware of the occurrence of any event which might impair the Substantial Shareholders' independence, confirmed that all the undertakings under the Deed of Non-competition had been complied with by the above-mentioned persons and duly enforced since the Listing Date and up to 31 December 2022.

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 31 December 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 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, 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	Beneficial owner	294,759,680 *Notes 1 ,2, 3&4*	29.47%
Mr. Ng	Beneficial owner	289,259,680 *Notes 1 ,2, 3&4*	28.92%
Mr. Chan	Beneficial owner	151,580,640 *Notes 1 ,2, 3&4*	15.16%

DIRECTORS' REPORT

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 Acting in 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 Listing. 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.

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 Acting in 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 Acting in 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 approximately 73.56% of the total number of Shares in issue, held by them altogether.

Note 4: On 9 December 2022, Mr. Huie, Mr. Ng and Mr. Chan entered into a deed to terminate the Deed of Acting in Concert (the "**Termination Deed**"). Upon execution of the Termination Deed, Mr. Huie, Mr. Ng and Mr. Chan are no longer be bound by the Deed of Acting in Concert and ceased to, inter alia, act in concert on the affairs of the Company.

* 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 31 December 2022.

Save as disclosed above, as at 31 December 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 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.

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

As at 31 December 2022, the Directors are not aware of any entity, 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.

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

At no time during the Year was the Company or any of its subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the Directors or their respective associates (as defined in the GEM Listing Rules) to acquire benefits by means of acquisition of Shares in, or debentures of, the Company or any other body corporate.

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

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

EVENTS AFTER THE REPORTING PERIOD

The Directors confirmed that there are no other major events which affected the Group after the Year end and up to the date of the annual report.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

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

DONATIONS

Charitable and other donations made by the Group during this Year amounted to HK$3,408 (FY2021: HK$2,912).

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Board confirms that the Company has maintained a sufficient public float as required under the GEM Listing Rules (ie. at least 25% of the Company's issued Shares in pubic hands) throughout the Year and up to the date of this annual 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, Mr. Ma and Mr. Ho. Mr. Choi is the chairman of the Audit Committee.

The Audit Committee has reviewed the audited Consolidated Financial Statements and is of the view that such statements 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.

DIRECTORS' REPORT

CLOSURE OF REGISTER OF MEMBERS FOR AGM

The 2023 AGM is scheduled to be held on Friday, 12 May 2023. For determining the Shareholders' entitlement to attend and vote at the 2023 AGM, the register of members of the Company will be closed from Monday, 8 May 2023 to Friday, 12 May 2023, both days inclusive, during which period no transfer of the Shares will be registered. Non- registered Shareholders must lodge all properly completed and stamped transfer documents accompanied by the relevant share certificates with the branch share registrar of the Company in Hong Kong, Boardroom Share Registrars (HK) Limited at Room 2103B, 21/F., 148 Electric Road, North Point, Hong Kong for registration by no later than 4:30 p.m. on Friday, 5 May 2023.

INDEPENDENT AUDITOR

The Consolidated Financial Statements have been audited by Grant Thornton Hong Kong Limited ("**Grant Thornton**"), who will retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of Grant Thornton as the Independent Auditor will be proposed at the 2023 AGM.

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

Hong Kong, 27 March 2023

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SCOPE AND REPORTING PERIOD

This is the Environmental, Social, and Governance (the "**ESG**") report by the Group, highlighting its ESG performance, with disclosure reference made to the ESG Reporting Guide as described in Appendix 20 of the GEM Listing Rules and Guidance set out by The Stock Exchange of Hong Kong Limited.

The Group principally engaged in the Electronic Gaming Equipment ("**EGEs**") supplier business and consumer-oriented smart vending machine business ("**VMS**"). The head office is located in the Macau Special Administrative Region ("**Macau SAR**"). The Group is a total solutions provider of electronic gaming equipment ("**EGEs**") for land-based casinos in Macau SAR as well as other regions in Asia, which can be segmented into: (i) technical sales and distribution of EGEs to land-based casinos; (ii) the repair of EGEs and sale of spare parts and (iii) consultancy to suppliers or manufacturers of EGEs products to the casino gaming supplier market. VMS is focusing on operating smart vending machines targeting tourists and consumers in Macau SAR and the Greater Bay Area in the People's Republic of China.

This ESG report covers the Group's overall performance in two subject areas, namely, Environmental and Social aspects of the business operations in Macau SAR, including general office areas for general business operations, and workshop and warehouse areas for repairing and refurbishing services at Lei Cheung, and the warehouse in Veng Kin, from 1 January 2022 to 31 December 2022, unless otherwise stated.

REPORTING PRINCIPLES

The preparation of the ESG Report has applied the following principles:

Materiality — materiality assessments have been carried out to identify material environmental and social issues that have major impacts on investors and other stakeholders, the significant stakeholders, process, and results of the engagement which are presented in the section "Stakeholder Engagement and Materiality" in the Report.

Quantitative — key performance indicators ("**KPI**"s) have been established, and are measurable and applicable to make valid comparisons under appropriate conditions; information on the standards, methodologies, assumptions, and/or calculation tools used, and sources of conversion factors used, have been disclosed when applicable.

Balance — performance of the Group was presented impartially, avoiding choices, omissions or presentation formats that may unduly influence readers' decisions or judgements.

Consistency — consistent statistical methodologies and presentation of KPIs have been used to allow meaningful comparisons of related data over time.

THE GROUP'S SUSTAINABILITY MISSION AND VISION

The Board Statement

Sustainability and ESG are now more important than ever.

The coronavirus disease 2019 ("**COVID-19**") is testing our health, social and economic systems in extreme ways. This crisis is unlike any other disasters we have witnessed in recent years with respect to its pervasiveness and the speed at which it has affected, directly or indirectly, billions of people around the world. Sustainability and ESG programs are key components of long-term value and business resiliency; but in the current crisis, they may seem like a luxury that can be sidelined for now.

The crisis has revealed for many companies the benefits of investing in their social and human capital, enabling them to mobilize talent and resources in new ways and continue to function in uncertain circumstances through a culture of trust, commitment and innovation. Similarly, research has shown that a loyal and motivated workforce creates enterprise value over the long term through increased productivity, lower voluntary turnover and improved labour costs.

The pandemic has also revealed the importance of other non-financial factors that impact business outcomes and are important to ESG investors, such as disaster preparedness, continuity planning and employee benefits, such as paid sick leave and flexible working arrangements.

The Board of directors (the "**Board**") understands that ESG matters may threaten a company's shareholder value, reputation, supply chain, and other issues that may affect sustainability; and business sustainability is critical to the long-term trust that the Group has built with the public. The ESG working group, consisting of representatives from various departments, continued to deal with ESG-related issues during the Reporting Period. The ESG working group is responsible for discussing the Group's ESG issues and continue to ensure that appropriate and effective ESG risk management and internal control systems are in place. The current risk management and internal control systems are designed to meet the Group's specific business needs and to minimise its risk exposure. The working group sets ESG goals at the beginning of each year and reviews its progress in achieving the goals using monthly data reports to check whether there are areas for improvement. Additionally, through analysing the situation of the Group, the working group will suggest new ideas and bring attention to issues, as well as offer solutions that can be applied in the Group. In general, the working group had made significant progress in achieving the targets set, though it acknowledges that there is room for improvement. The Board continues to assess its strength and weaknesses to improve the overall efficiency of achieving ESG goals , to monitor the effectiveness of mitigate measures of climate-related risks, and to approve the ESG-related policies and measures. The goals outlined for the year and the respective actions taken are as follows;

Following HKEx's rules and guidelines closely
- Material issues were identified in line with the provisions of the ESG guide
- Issues and matters regarded as important to stakeholders were disclosed publicly and transparently

Taking environmental advice from the Macau government
- Waste management suggestions by the government were being listened and adopted
- Recycling bins were set up in office areas, contributing to an improved

Establishing effective and open relationships with stakeholders
- Communication channels were set up for the Group to hear the voices of various stakeholders, including, investors, employees, customers, etc.

Creating an engaging working environment
- Efforts were put into making a comfortable, healthy, and nurturing office
- Internal celebratory activities were held for employees to bond

Improving communications with customers
- Products and internal procedures of the sales process were reviewed to better cater to customers' needs
- Customers' feedback was listened to and responded to in a quick manner to enhance trust

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Board cares about communication with stakeholders and understands their needs. The Board has also been engaging with its stakeholders to deliver more sustainable outcomes and products that align with their expectations. In addition, the Board encourages internal communication and peer review for managers and employees to further understand the needs of one another. In terms of its clients, the Board strives to fulfil its responsibility of providing error-free ETGs and EGMs to the casinos, which can enhance the efficiency of their business operations. Regarding its suppliers, the Board has successfully established an agreement with a shipping company that will assist in centralising orders destinated for foreign countries and performing periodic combined deliveries to lessen emissions that would have been otherwise created if items were delivered separately. Also, the Board regularly participates in charitable activities in society and creates internship opportunities for university students to participate in.

ESG Risks and Strategies

The Group is committed to the long-term sustainability of the environment and the community surrounding its operations. It recognises ESG risks and engages in appropriate environmental practices. It complies with the laws and regulations of environmental protection, as well as adopting measures to achieve more efficient use of resources, increased energy conservation, and waste reduction. Apart from setting environmental goals, the Group has also initiated other ESG initiatives to contribute towards a better environment. The Group purchases, refurbishes and sells used EGMs, and regards itself as a reducer of waste and wood consumption within the casino and gaming industry. Although the business nature of the Group is relatively non-polluting compared to more traditional factories or manufacturers, the Group still realises the importance of minimising the negative impacts on the environment brought by its business. The Group encourages employees to adhere to the principles of reducing, reusing, and recycling all resources, with particular attention to energy and resource-saving production methods, waste separation, and waste avoidance. This allows for the creation of a recoverable substance cycle, thereby enhancing sustainability. It has also taken steps in recent years to reduce emissions, such as adopting resource-conserving practices in offices, relocating offices to reduce or eliminate traffic between work venues, centralising products to be air delivered altogether, etc.

Overall, the Group is committed to managing all risks through making assessments with equity management firms and consulting professional parties for advice on special engagements. Additionally, quarterly board meetings are held to review the current policies and offer criticism and comments to further improve and update the company’s operations. The Group also recognises the importance of managing ESG-related risks and has integrated them into its risk management. Asset owners and other stakeholders have become increasingly concerned with the assessment of ESG risks conducted by asset managers like private equity firms, as they affect buy-out and acquisition decisions. Hence, these risks are being managed to protect the value and allow for revenue-generating opportunities. The Group has become aware of these risks through stakeholder engagement, analysis conducted by the ESG working group, and board discussion of analysis with management. To equip the ability of the Board and employees to cope with ESG-related risks properly, ESG-related training and Webinars are arranged to strengthen the Group’s understanding of the ESG issues. The Group has identified climate-related risks and reviewed mitigative measures to cope with the challenges brought by climate-related risks. For detailed information on climate-related risks and opportunities identified by the Board, please refer to the “A4. Climate Change” section.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Future Development

Looking to the future, the Group plans to expand its services and promote its new low-waste alternatives of gaming machines to more clients. Since 2018, it has been selling refurbished machines to Southeast Asian countries and has expanded this service to include offering a repair service as well. The Group remains positive on the growth prospects of operating leases in both Macau SAR and Southeast Asian Markets, and the expansion of its consultancy services in Southeast Asia markets. Whilst the Group expands, it will be actively conscious to take its environmental and social impact into account. The widespread outbreak of the coronavirus disease 2019 (the "**COVID-19**") has had a negative impact on the Group's overall sales and distribution business as the Macau government had to temporarily suspend all casino operations in Macau SAR in July 2022.

In addition, in recent years, the Group began implementation of its diversification strategy under SmartCom into smart vending machine ("**VM**") operations in Macau SAR. The Group's underlying rationale for diversifying into smart VMs is as follows:

1) The Group has extensive experience in maintaining, repairing and operating consumer-related machines;

2) The Group has extensive experience integrating software platforms and machines;

3) As a Macau SAR based company with over 15 years of operating history, the Group has intimate local knowledge and relationships with locations such as hotels, malls, and visitor sites throughout Macau SAR;

4) The smart VMs business is part of the fast-growing smart vending machine market which aims to provide convenience to travellers and mobile consumers;

5) Smart VMs have benefited from rapid advances in cashless payment and new information technologies, and have proven to be highly effective in selling and distributing products to consumers; and

6) Smart VMs can be used to promote and deliver quality Macau-branded products to the numerous tourists that visit Macau SAR regularly.

The Group is currently implementing our roll-out strategy. It is hopeful that more smart VMs can be rolled out to various locations throughout Macau SAR in the next 3-5 years. The Group strives to increase its brand awareness and market share of Vending machine and Coffee machine business in Macau. In the future, the Group will develop multiple types of vending machine businesses by purchasing new model machines, updating software and developing shopping platforms and applications. During the Reporting Period, the Group has developed KatKat Mall and H5 mobile shopping websites.

With the recent announcement on the lifting of COVID-19 travel curbs in Mainland China, the Group is confident to see rapid recovery and growth in incoming visitors to Macau and the local community.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

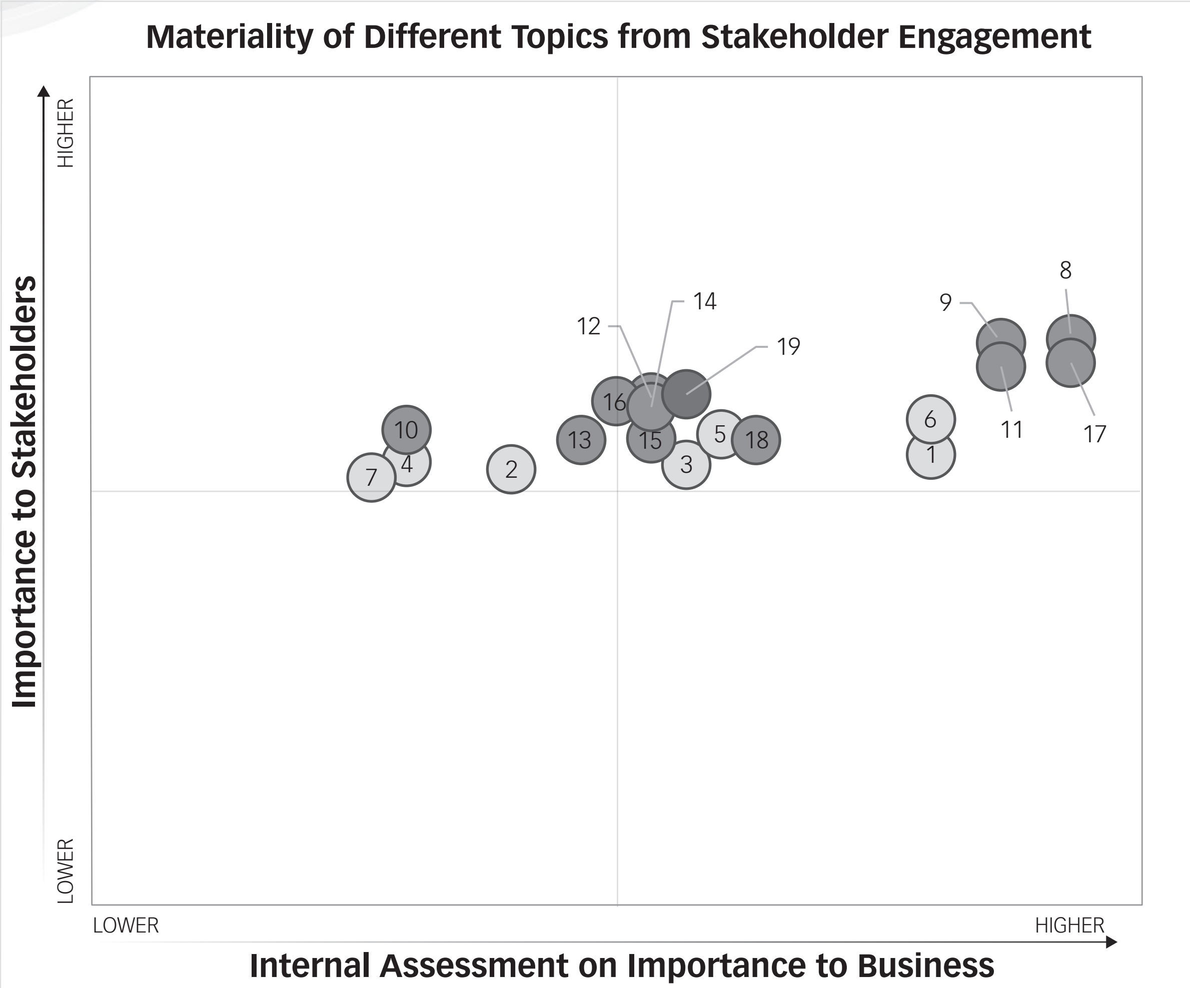
CERTIFICATIONS AND CORPORATE MEMBERSHIPS

The Group has engaged with industrial partners, government agencies, customers, and other stakeholders to promote responsible gaming practices. The Group responds positively to Government policies, such as the Environmental policy to restrict the provision of plastic bags. The Group has received several certifications and membership as a recognition of its contribution to society and the safety and quality of its products:

- Construction Safety Card accredited by the Labour Affairs Bureau (DSAL)
- Gaming Inspection and Coordination Bureau (DICJ) License
- ISO 9001:2015 Quality Management Systems
- Member of Macau Gaming Equipment Manufacturers Association (MGEMA)
- SCMP — "APE — Growth Champion of GBA 2020 "
- Mr. Herman Ng (CEO) and Ms. Vicky Chan (Sales AGM) have been nominated as Rising Star and Industry Icons accordingly, of IRAA (IR Academy Award) by Inside Asian Gaming in 2021.

STAKEHOLDER ENGAGEMENT AND MATERIALITY

The Group engages with key stakeholders such as employees, customers, suppliers, shareholders, directors, NGOs, local communities, trade unions, and other civil organisations in society to understand and address the various needs and concerns of key stakeholders. The Group communicates with stakeholders via various communication channels such as quarterly group meetings, emails, monthly general meetings and written communication. Additionally, the Group utilises formal stakeholder surveys to identify the most significant ESG aspects, which is followed by a materiality assessment.



Environmental		Social		Others	
1	Energy	**8**	Employment	**19**	Responsible Gaming
2	Water	**9**	Occupational Health and Safety		
3	Air Emissions	**10**	Development and Training		
4	Effluents and Waste	**11**	Labour Standards		
5	Other Raw Materials Consumption	**12**	Supply Chain Management		
6	Environmental Protection Policies	**13**	Intellectual Property Rights		
7	Climate Change	**14**	Data Protection		
		15	Customer Service		
		16	Product/Service Quality		
		17	Anti-corruption		
		18	Community Investment		

The matrix indicates that external stakeholders, such as the Group's employees, customers, and suppliers, had a similar levels of concern for most topics. Some topics had been determined to be significantly more important than others from the Group's point of view. The six most material topics that the business shall focus on are as follows:

- Labour Standards
- Occupational Health and Safety
- Employment
- Energy
- Environmental Protection Measures
- Anti-corruption

As the above topics were all important in the view of the Group's management level, these aspects had mostly been addressed and respective measures and initiatives have been put in place. The Group will continue to invest in financial and non-financial resources to strengthen the management of the above material topics. The Group will continue to identify areas of improvement for the concerned aspects and keep close communication with its stakeholders to share and exchange ideas for advancing the Group's ESG management.

STAKEHOLDERS' FEEDBACK

The Group welcomes stakeholders' feedback on the ESG approach and performance by giving suggestions or sharing views via email at ir@apemacau.com.

A. ENVIRONMENTAL

The Group is dedicated to striving towards long-term sustainability of the environment and the surrounding community in which it is located. To behave in an environmentally friendly and responsible manner, the Group ensures to comply with laws and regulations of environmental protection and enforces effective measures that enable successful energy conservation, waste reduction, and the most efficient use of resources. The Group strictly complies with the following environmental laws and regulations, including but not limited to the Basic Law of the Environment No. 2/91/M .

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

As a non-manufacturing company, the Group's daily operation generates minor impacts on the natural environment. The Group does not produce significant amounts of wastewater and exhaust gas emissions, as well as producing minimal amounts of hazardous waste in daily operations. Indirect environmental impacts generated by the Group mainly included the consumption of purchased electricity and the use of resources to support daily operations.

No non-compliance with relevant laws and regulations that have a significant impact on the Group relating to air and greenhouse gas ("**GHG**") emissions, discharges into water and land, and generation of hazardous and non-hazardous waste have been identified during the Reporting Period.

A1. Emissions

A1.1 Air Emissions

One passenger car and one private van were used for the daily business operations, with both vehicles running on petrol. Their combustion generated several air emissions ("**non-GHG**"), including nitrogen oxides ("**NO_x**"), sulphur oxides ("**SO_x**") and respiratory-suspended particles ("**PM**").

Mobile fuel source	Air emissions (non-GHG) from the vehicle SO_x (kg)	NO_x (kg)	PM (kg)
Petrol	0.098	0.063	0.005

Note: Emission factors for calculations on environmental parameters were made with reference to Appendix 20 of the GEM Listing Rules and their referred documentation as set out by Hong Kong Exchanges and Clearing Limited, unless stated otherwise.

A1.2 GHG Emissions

GHG emissions were generated directly from the consumption of mobile fuel (i.e. petrol for group-owned vehicles). Indirect GHG emissions were also generated from the consumption of purchased electricity, processing of freshwater and wastepaper disposal and business air travel.

During the Reporting Period, 80.17 tonnes of carbon dioxide equivalent (tCO_2eq) GHG (mainly CO_2, CH_4 and N_2O) were emitted from the Group's operations. The overall intensity of the GHG emissions was 0.06 tCO_2eq/m2, or 2.29 tCO_2eq/employee. See Table 1 for the contribution of GHG emissions across scopes and activities.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Sources of GHG Emissions during the Reporting Period

Scope of GHG emissions	Emission sources	GHG Emission (2022) (in tCO_2eq)	GHG Emission (2021) (in tCO_2eq)
Scope 1 Direct emissions	Combustion of fuel (petrol) in mobile sources	**17.77**	7.93
Scope 2 Energy indirect emissions	Purchased electricity	**58.88**	73.99
Scope 3 Other indirect emissions	Paper waste disposed at landfills	**1.51**	0.43
	Electricity used for processing fresh water by government departments/third parties	**0.08**	0.08
	Electricity used for processing sewage by government departments/third parties	**0.07**	0.07
	Business air travel by employee	**1.93**	N/A
Total		**80.24**	82.5

Note 1: Emission factors for calculations on environmental parameters were made with reference to Appendix 20 of the GEM Listing Rules and their referred documentation as set out by Hong Kong Exchanges and Clearing Limited, unless stated otherwise.

Note 2: The emission factor for purchased electricity in Macau SAR was obtained from the CEM Sustainability Report 2021.

Note 3: Scope 3 GHG emissions were calculated based on available emission factors referred by the Appendix 20 of the GEM Listing Rules and their referred documentation as set out by Hong Kong Exchanges and Clearing Limited, unless stated otherwise.

Note 4: The overall total amount of GHG emissions in 2021 was restated to reflect the actual situation in that year.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A1.3 Hazardous Waste

The Group generated an approximate total of 0.25 tonnes of hazardous waste during the Reporting Period. The intensity was 0.19 kg/m^2, or 7.14 kg/employee. Waste was generated from partnered casinos as well as from the Group's own office from regular operations.

Hazardous Waste Generation during the Reporting Period

Hazardous Waste Type	Annual disposal amount (kg)	Treatment of Waste
Batteries	20	Recycling by the DPSA
Computer hardware	200	Landfilling
Lighting waste	30	Landfilling
The overall total amount of hazardous waste	**250**	

A1.4 Non-hazardous Waste

The Group generated an approximate total of 1.614 tonnes of non-hazardous waste during the Reporting Period, of which the intensity was 1.21 kg/m^2, or 46.11 kg/employee. Waste was generated from office consumption, packaging materials from suppliers, casinos and other factories.

Non-hazardous Waste Generation during the Reporting Period

Non-hazardous Waste Type	Annual disposal amount (kg)	Treatment of Waste
Domestic waste	650	Self-reuse
Plastic waste	350	Incineration or landfilling
Office paper waste	314	Landfilling
Other types of paper (excluding office paper waste)	300	Self-reuse
The overall total amount of non-hazardous waste	**1,614**	

Note: The amount of non-hazardous waste in 2021 has been restated to reflect the actual situation in that year.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A1.5 Measures to Mitigate Air and Greenhouse Gas Emissions

To reduce emissions from vehicles, employees are encouraged to use public transport, such as the delivery of documents to governmental departments and local companies. When applicable, the Group encourages business partners to provide e-invoices to reduce the usage of couriers. Also, the Group has set a target of a 7-8% reduction in overall GHG emissions within 5 years, with 2021 as the base year . During the Reporting Period, the amount of petrol consumption by vehicles increased. Despite a higher petrol consumption to meet the increasing demand of transportation for expanding VM business in the Reporting Period, the overall total amount of GHG emissions decreased by 2.7% compared with the previous reporting period. The Group strives to improve and review the GHG reduction measures continuously in order to achieve its best performance of GHG reduction in the long term.

A1.6 Waste Handling and Reduction Initiatives

The Group reuses and recycles materials whenever possible to achieve higher levels of waste reduction and resource conservation. Some hazardous materials, such as heavy metals found in slot machines, monitors, computers, bill acceptors and printers that are still functional, are carefully removed by the Group's skilled engineers and used for second-hand machines. For second-hand machines that were processed two years prior, parts have successfully been reinstalled in appropriate machines based on market needs. The Group considers itself an up-cycler by contributing to the promotion of overall waste reduction within the gambling industry, which ultimately brings mutual economic and environmental benefits to both the Group and the industry.

In the office, the Group has introduced a variety of strategies to strive for a more environmentally friendly workspace. The Group has placed many different recycling bins in the common areas of its office for six types of materials: paper, plastic, cans, batteries, used lamps, and glass bottles. After an accumulation of batteries has been gathered, they will be transferred to the respective government recycling bins. The Group has been continuously following the Government's new policy to relieve the pressure on landfills by reducing waste. Besides, the Group also encourages its employees to bring their own reusable cups and bottles to drink water in response to the Government's suggestions.

In particular, the Group pays special attention to the reduction of paper usage. The Group introduced a new OA system where documents are uploaded and shared without the need for printing physical copies. As well, externally, the Group also utilises online platforms such as the company website, magazine, or newsletters to share industry news, rather than their physical alternatives. In addition, the following are some strategies implemented by the Group to reduce the use of paper:

- reusing envelopes and boxes for mailing items;
- collecting used paper and sending it to reliable recyclers;
- adjusting printers to double-sided settings to save paper;
- using recycled paper for photocopying;
- showing customers electronic editions of brochures and product presentations to replace paper;

- sending electronic greeting cards to clients;
- implementing recycling bins in the office for paper and other materials, which will later be brought to government-owned recycling bins.

The Group set a reduction target in the waste generation of 20% within 10 years by collecting all used paper and sending it to reputable recyclers, of with 2021 as the base year. and have encouraged our colleagues to reduce their food wastage by consuming responsibly. The overall waste generation in the Reporting Period increased by 18% compared with the previous reporting period . Due to the expansion of smart VM business, a higher amount of office paper waste was generated, it is a main reason of an increase in waste production in the Reporting Period. The Group strives to improve and review the waste reduction measures continuously in order to achieve the waste reduction target in long term.

Indicator	2021 baseline (kg)	2022 (kg)	2031 Target
Overall total waste generation	1,580	**1,864**	A reduction target in the waste generation of 20% within 10 years, of which 2021 is the base year.

A2. Use of Resources

A2.1 Energy Consumption

During the Reporting Period, direct electricity consumption by the Group was 94,975 Kilowatt-hour (kWh). The total consumption of petrol was 6,667 litres, which totals 64,612 kWh after conversion. The total amount of energy consumed was therefore an equivalent of 159,587 kWh (electricity and petrol combined), with an intensity of 120.09 kWh/m^2, and 4,559.64 kWh/employee.

A2.2 Water Consumption

The total water consumption for the Group was 345 m^3, with an intensity of 0.26 m^3/m^2 and 9.86 m^3/employee. Water was sourced from municipal tap water. No issues on sourcing water were reported during the Reporting Period.

A2.3 Energy Use Efficiency Initiatives

To consume energy more efficiently, the Group has implemented certain policies within the office. It also continues to promote energy-saving behaviour among employees focusing on various aspects. The measures are as follows:

- using energy-efficient appliances;
- ensuring that the central air conditioning in the office is kept at a temperature of 25°C, and is turned off if the external temperature is lower than 23°C;
- allowing a flexible dress code during summer to minimise air-conditioning usage;

- utilising blinds and curtains to reduce heat absorption;
- arranging regular air-conditioning repair and maintenance to ensure efficient use;
- turning off lighting when natural lighting is available or during low occupancy periods;
- setting up computers to go into standby or sleeping mode when idle for a certain amount of time;
- turning off unnecessary technology (including monitors and CPUs) after office hours.

The Group set a target of a 10% reduction in energy consumption over the next 10 years, with 2021 as the base year. The overall total energy consumption during the Reporting Period increased by 5% compared with the previous reporting period . The energy consumption increase is due to a higher demand on energy to support the newly developed smart VM business in the Reporting Period. The Group strives to improve and review the energy-saving measures continuously in order to achieve the energy saving target in long term.

Indicator	2021 baseline (MWh)	2022 (MWh)	2031 Target
Overall total energy consumption	90,236	**94,975**	A 10% reduction in energy consumption over the next 10 years, of which 2021 is the base year.

A2.4 Water Use Efficiency Initiatives

The Group continuously conserves water resources although the water usage is minimal or insignificant, and consistent attention is placed on monitoring water usage each month. Water-saving signs are placed next to each water tap in the washroom and pantry to remind staff to conserve water. The Group also makes use of its leftover water from its water refill stations to water flowers. The Group has set a target of a 10% reduction in water consumption within 10 years, with 2021 as the base year. The amount of water consumption in the Reporting Period decreased by 1.15% compared with the previous reporting period. The Group strives to improve and review the water-saving measures continuously in order to achieve the energy saving target in the long term.

A2.5 Packaging Material

A total amount of 0.01 tonnes of packaging materials were purchased during the Reporting Period. All packing material is plastic wrap. Some of the materials were not purchased as they were reused from packages received from other companies. When the Group sends its clients gifts, it also chooses items that have minimal packaging or those that are wrapped with recyclable materials. The amount of packaging materials used in the Reporting Period decreased by 83% compared with the previous reporting period. The significant drop business in Gaming requires lower consumption of packaging materials. Besides, the Group has contributed a great effort to reuse the packaging materials to avoid overuse of packaging materials, so these are the reasons for the significant drop in the use of packaging materials in the Reporting Period.

Packaging Materials Purchased during the Reporting Period

Type of Packaging Material	Application of Packaging Material	Annual Consumption (kg)
Plastic Wrap	Machine Packing	10

A3. The Environment and Natural Resources

A3.1 Significant Impacts of Activities on the Environment

The Group's business activities do not generate significant impacts on the environment. The Group did not receive any complaints from the surrounding community regarding air pollution, odour, noise, or other environmental pollution incidents during the Reporting Period. The Group will continue to monitor its air emissions, solid waste generation, wastewater discharge, and noise levels to ensure minimal impact on the surrounding environment and to create a healthy environment for its workers.

A4. Climate Change

A warming planet creates a wide range of risks for businesses, from disrupted supply chains to rising insurance costs to labour challenges. With the increasing threat of climate change and the associated physical damage, change in market perception and shift in preference of the public towards more environmentally friendly products and services, the financial, reputational and strategic risk implications are becoming increasingly prominent. Climate change will undoubtedly be of increasing concern to the Group and industry as a whole for the foreseeable future. The Group has identified the following risks and opportunities that climate change pose.

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Physical and Transition Risks:

Climate-related Risk	Time Horizon	Potential financial impacts	Risk level	Trend
		Physical Risks		
Extreme weather	Short term	• Extreme weather events, such as typhoons, storm surges and rainstorms will disrupt the transportation of necessary raw materials and equipment.	Low	Increase
	Long term	• Extreme weather events may cause physical damage to VMs and other infrastructure. The failure of VMs and equipment incurs costs on recovery and repair. • Extreme weather events may affect footfall, and thereby revenue, in many of the Group's client's properties which may result in an adverse effect on the Group's revenue. • Additionally, extreme weather events may adversely affect the outdoor VM revenue stream as people will remain indoors.		
		Transition Risks		
Tightening of climate-related policies	Short term	Tightened environmental policies increase the cost of fulfilling such requirements. It might also raise the operating costs, insurance costs and penalties for noncompliance.	Low	Increase
Cost to transition to lower emissions technology	Short term	Substitution of existing technology and equipment with lower emissions or resource-saving options to comply with the new energy and sustainability standards incurs investment and maintenance costs.	Low	Increase
Changing customer behaviour	Short term	A change in customer or user behaviour and preferences leads to a loss in customer and income if there is a failure to meet stakeholders' expectations on climate risk management and goals.	Low	Increase
Reputation Risk	Short term	The change in customer or user preferences may increase the chance of receiving negative stakeholder feedback about the existing VMs and EGEs services. It may affect the reputation of the Group.	Low	Increase

Measures to cope with the climate-related physical and transition risks

- To cope with physical risks, employees are advised to remain in a safe place during extreme weather events until it is safe to resume normal activities.

- For choosing goods and raw materials for the vending machines and coffee machine business, priority is given to the brands in Macau in order to reduce the risk of transport disruption of machines and equipment under extreme weather events.

- To mitigate the transition risks, the Group regularly researches stakeholders' preferences on climate-related performance and disclosure and ensures transparent communication with stakeholders. By understanding the preferences and concerns of stakeholders, the Group will be more able to provide services which can meet the stakeholders' expectations.

Opportunities

In the long term, an increase in global mean temperatures may result in an increase in sales of cold drinks and cooling products from smart vending machines. It is an opportunity for the Group to boost its revenue by developing more smart vending machine businesses to meet the increasing market demand for cooling products under extremely hot weather conditions.

B. SOCIAL

1. Employment and labour practices

Employees are the cornerstone of a successful business. The Group is dedicated to maintaining an inclusive culture and offers a safe working environment with positive reinforcement, where employees can enjoy a good work-life balance. Our commitment to being a caring employer that offers equal opportunity is demonstrated through our employment policies and employee engagement initiatives. To ensure that the Group can operate according to professional and ethical labour practices, we have provided clear instructions and developed a detailed set of working protocols with robust control mechanisms. The Group stringently complies with laws and regulations concerning employment and labour practices, such as the Macau SAR Labour Relations Law. In the Reporting Period, the Group hired employees of different nationalities, including China, Hong Kong, Macau and Malaysia, thereby creating a culturally diverse work community. The Group strives to promote an environment with equality and open communication between employees and employers that allow for suggestions to be made freely. The Group emphasises company bonding and holds lunch gatherings, seasonal parties, and other activities to encourage team building and strengthen the sense of belonging among employees. Additionally, the Group aims to be accommodating and understanding with all levels of staff to assist and support them if required. Annual appraisals are made fairly and reasonably after year-end reviews and evaluations of staff performance.

No non-compliance with relevant laws and regulations that have a significant impact on the Group relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare had been identified during the Reporting Period.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B1. Employment

B1.1 Employment Figures

As of 31 December 2022, the Group had a total number of 36 employees. See Figures 1-5 for the detailed composition of the Group's workforce.

Figure 1 Total Workforce by Employment Type

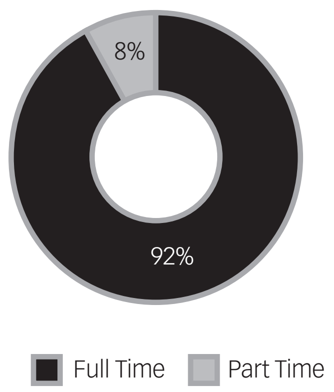


Figure 2 Total Workforce by Employee Category

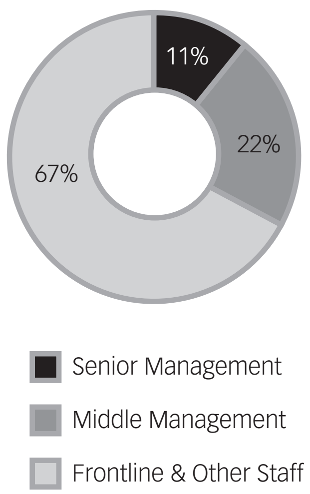


Figure 3 Total Workforce by Age

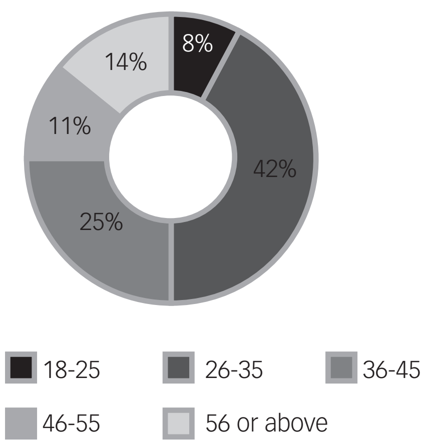


Figure 4 Total Workforce by Gender

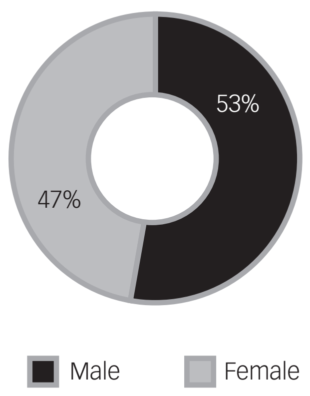
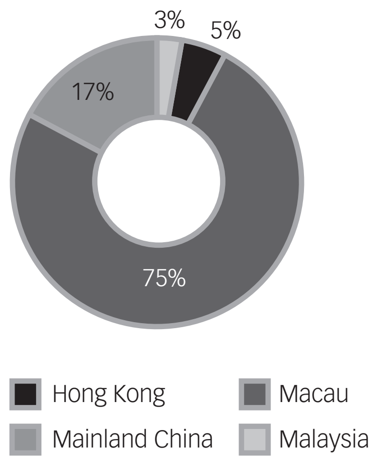


Figure 5 Total Workforce by Geographical Region



B1.2 Turnover Rate

A total of 12 employees left the Group during the Reporting Period, resulting in a turnover rate of 33% for the Group. This represents an increase of 28% in comparison to the previous reporting period. The Group has continued to implement initiatives to retain staff during the Reporting Period, including:

- encouraging feedback and improving employee benefits and welfare;
- encouraging open communication between employees and facilitating higher levels of discussion of opinion between team leaders and staff;
- establishing different channels and opportunities for staff to raise comments and concerns;
- providing opportunities for career and skills development, and cultivating a sense of teamwork amongst employees through bonding activities;
- recognising the talent of employees and appointing them to work in their most suitable positions to allow for maximum efficiency and the most rewarding experience.

The Group will continue to review and improve its remuneration policies to acknowledge its employees' hard work.

B1.3 Employee Policies

The Employee Handbook continues to serve as the guideline and working procedure to manage employment and labour-related practices.

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In terms of employees' benefits and welfare, the Group ensures they are continually provided under all applicable laws and regulations. Employees are entitled to paid annual leave, sick leave, marriage leave, maternity leave, paternity leave, injury leave, compensation leave, breastfeeding breaks, etc. Additionally, employees are entitled to medical and dental insurance such that their well-being is protected. For Blue Card employees who hold a working visa, an accommodation allowance is also granted. The Group offers employees a holiday package following Macau's government public holidays, which complies with Decree Law No. 60/2000 on Public Holidays. It strives to encourage employees to spend time with their families with the unpaid leave policy, which includes the allowance of taking three days of no-pay leave and one-day Annual Leave to volunteer per month.

In the Reporting Period, as all industries and commercial companies are required to suspend operations to contain the spread of COVID-19 in late July 2022, the Group was closed during this period. The Group has employees who got infected and quarantined during the Reporting Period. Compensation fees for COVID-19 testing and hotel quarantine were provided to the employees who got infected. During the quarantine period, the Group regarded the quarantine days as normal working days, and the employees who got infected were not required to take annual or unpaid leaves during the quarantine period. The Group has not made any retrenchments since the COVID-19 pandemic. In addition, the Group aims to be flexible in these unprecedented times with employees and allowed the redistribution of work within departments when necessary to work around quarantine necessities.

Performance evaluations are held annually for each employee to analyse their work for appraisals and promotions. Those who have outperformed their responsibilities and expectations will be considered for a promotion or appraisal, and those who fail to reach their goals will be reached out to by managerial and directorial level staff. Together, the Group will attempt to resolve any issues and be understanding and supportive of any issues that the employee may be having, so that appropriate solutions can be figured out together. When an appraisal is completed, the Group shares its comments with its employees and welcomes feedback from everyone looking for a change. To provide more opportunities for employees to reflect their views, there is also a suggestion box which employees are encouraged to make use of. Guidance and additional training are offered to employees if necessary. Finally, a fully functional remuneration committee that was formed at the end of 2017 also reviews and recommends remuneration-related matters and reports to the directors and senior management.

The Group embraces effective communication with employees as it believes that this is essential in strengthening an employee's sense of belonging within the company, thereby increasing the satisfaction that employees feel as they continue to work with the Group. Therefore, some activities were held during the Reporting Period to strengthen the connection among employees, such as lunch gatherings, Christmas parties, annual reunion dinners and team-building activities. Additionally, the Group holds a strong belief that the correct positive environment plays an important role in assisting employees to achieve their full potential. The Group promotes equality and respect, and strongly discourages any forms of discrimination, which is not evident within the working community. The Group also ensures that a welcoming atmosphere is evident for feedback to be given by employees. All employees are entitled to the same opportunities and benefits, and the treatment of employees remains equal regardless of gender, nationality, marital status, disability, religious beliefs, etc.

B2. *Employee Health and Safety*

The Group places the utmost importance on providing a safe working environment for its employees. The Group strictly complies with the local laws relating to employee health and safety, including but not limited to Labour Relations Law (Article 12). Fire service installations, such as emergency lights, fire extinguishers, fire hose reels, sprinkler systems, exit signs, etc. are all distributed in the Group's workplaces and maintained regularly. The Group ensures that employees are familiar with fire safety and evacuation plans of the office building in case of any emergencies. To allow the treatment of minor injuries, first aid boxes are readily available at accessible locations.

In addition, the Group maintains a system to clean the workplace daily and regularly changes the filters of the air conditioners to ensure that a healthy indoor environment is available for its employees. The Group also welcomes desk plants to enhance employees' mood and efficiency. The Group has installed an exhaust system in the office that facilitates better air circulation in the workplace. During the Reporting Period, the Group to maintain the warehouse, office and repair centre area through the "5S" management concept, comprising; sorting, setting in order, shining, standardising, and sustaining. This will contribute to better housekeeping practices, and thus, a better working environment for employees. It is expected that by keeping the workplace in order, employees will feel at ease and the overall efficiency of work can improve.

Considering the COVID-19 pandemic, the Group has taken new measures to enhance employee safety. Staff are required to wear masks in the working area, and the Group has stocks of extra masks in case an employee requires a new one. In addition, alcohol-based hand sanitisers are placed in all public areas such as reception, pantry, open office area, and meeting rooms. Medical thermometers have been set up and are available for use should any employee wish to do so. Vaccination is encouraged to be taken by employees. The Group has also taken advantage of technology to replace physical meetings with suppliers with phone and video conferences wherever possible. Working from home has also been introduced during high-risk periods to protect our employees from the spread of COVID-19. Finally, the Admin and Human Resource departments will respond and handle emergency situations.

Work-Related Fatalities and Lost Days

	2022	2021	2020
Work-Related fatalities	**0**	0	0
Lost Days	**0**	0	0

There were no work-related fatalities or injury cases in the past 3 years, including the Reporting Period. Additionally, there were no instances of non-compliance regarding laws and regulations which relate to providing a safe working environment and protecting employees from occupational hazards were identified.

B3. *Development and Training*

The Group provides comprehensive career development and training to all employees. All technology-related department employees in the Group are encouraged to take the Safety Card Course offered by the Macau SAR government. Employee performance evaluations, training assessments, and questionnaires are regularly conducted to ensure sufficient and appropriate training is identified and conducted for employees. Following that, the Group will arrange high-quality and professional training for employees as preparation for the various challenges they may face in their work, as well as for future development needs.

Development and Training

Average training hours per employee	Unit	2022
Total training hours	hours	12
Average training hours		
By gender		
Male	hours/employee	0.11
Female	hours/employee	0.59
By employment grade		
Senior management	hours/employee	0.50
Middle management	hours/employee	0.50
Frontline staff and others	hours/employee	0.25
Percentage of employees trained		
All employees	%	33
By gender		
Male	%	11
Female	%	59
By employee grade		
Senior management	%	50
Middle management	%	50
Frontline staff and others	%	25

Note: The percentage of employees trained=(the total employees who took part in training/the total number of employees as of 31-12-2022)*100%

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On a directorial and managerial level, briefings are provided regularly to remind, and further develop their duties and responsibilities. Additionally, during all related training courses, participation is encouraged for directors at the Group's expense to foster further learning with proof of training records. In continuation of the previous reporting period, the Group remains in consideration of establishing a formal Training and Development policy to outline training plans in the future.

B4. Labour Standards

The Group strictly complies with the Labour Law of the Macau SAR government. The Human Resources Department has a comprehensive background checking system during the recruitment process, with newly engaged employees required to provide an identification document or Passport upon enrolment in the Group. If a violation of the law is discovered, immediate action in terminating the enrolment will be taken.

There were no major risks associated with incidents of child labour, forced or compulsory labour within the Group. No non-compliance with relevant laws and regulations that have a significant impact on the Group relating to preventing child and forced labour had been identified during the Reporting Period.

2. Operating Practices

B5. Supply Chain Management

The group follows a detailed and well-established Policy Manual that emphasises and focuses on the procedures of purchases and payments, as well as improving the transparency in the decision-making process that takes place prior to all purchases and transactions. All suppliers must undergo a strict assessment that involves internal evaluation forms, such as the Sample Request and Evaluation Report. As well, prior to the addition of new machines, its suppliers must be listed on the Lists of Approved Manufacturers and Suppliers of Gaming Machines issued by the Gaming Inspection and Coordination Bureau for quality assurance. In addition to new suppliers, existing suppliers are annually evaluated regarding their performance to ensure that the quality of their goods and services remains at an acceptable level. In this Reporting Period, the Group continued the system of requiring suppliers to provide invoices and electronic documents of approval after a back-and-forth discussion, which also demonstrates the Group's efforts in environmentally sustainable development. Additionally, the Group has introduced the use of an OA system, which offers systematic procedures in document sharing and approval, thereby good ESG performance both internally and externally. The Group is planning to launch a plan for related departments to conduct spontaneous site visits to suppliers to ensure there are no violations or threats of sound ESG practices. Also, the Group is performing due diligence when choosing suppliers. The priority is given to eco-friendly raw materials for production and services and biodegradable products. The Group maintains good cooperation with suppliers to minimize carbon footprint in the procedure of product transportation.

Number of Machines Parts Suppliers by Region

Region	Number of supplier(s)	%	Type supplies
Slovenia	1	14	new slot machines, slot machine parts
Australia	1	14	new slot machines, slot machine parts
Taiwan	2	29	new slot machines, slot machine parts
America	2	29	printers, slot machine parts
Macedonia	1	14	Slot machine parts

B6. Product Responsibility

B6.1 Product Labelling, Health and Safety, and Advertising

Due to the business nature, product labelling, health and safety, and advertising issues are not applicable to the Group. Nevertheless, the Group has engaged with its industrial partners, government agencies, customers, and other stakeholders to continuously promote responsible gaming practices. No non-compliance with relevant laws and regulations that have a significant impact on the Group relating to health and safety, advertising, labelling and privacy matters relating to products and services provided have been identified during the Reporting Period.

B6.2 Quality Assurance

The Group ensures Quality Assurance and Quality Control procedures are conducted for the installation of machines. The Group has manuals and Standard Operating Procedures which the staff refer to during daily operations. Experienced supervisor(s) are designated to monitor all working procedures onsite. Staff also learn and practice proper procedures with test machines that are provided and the same tests are performed on all machines. This ensures that all machines are standardised and have the same performance. All products have undergone testing conducted by internationally qualified laboratories to ensure both hardware and software are safe. In regard to the Group’s products and services, quality checks are conducted by approved by local governors and qualified market leaders thereby ensuring all games are fair to all end users. Random algorithms are used to test the machines to ensure all games and combinations are unbiased.

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The Group cares about the customers' opinions of its services. Hotline and WeChat accounts are set up for Customer Service Department to handle customer enquiries and complaints.

As an EGEs distributor and service provider, there were no product recalls or service complaints due to health and safety reasons received during the Reporting Period.

B6.3 Data Protection

The Group respects the protection of personal data and is committed to complying with the data protection principles and all relevant provisions of the Hong Kong Personal Data (Privacy) Ordinance, the Personal Data Protection Act (Macau SAR), and other applicable laws in regions where the Group operates.

The Group's IT General Control Policies and Procedures set guidelines on the data classification and corresponding protection measures to be taken. Data has been defined into three levels: 1) public, where data is generally open to the public; 2) internal, where data is "official use only"; and 3) restricted, where data is protected by regulations, company policies, and financial reports. All customer data is always kept under the department's control.

The Group's dedicated IT department monitors all the hardware and software to ensure the stability of the network and smooth operations. Personal Computer Security is strictly monitored. For example, individual users shall not install any hardware on their PCs. In addition, it is a violation of security procedures to add or modify hardware, such as RAM, processors, coprocessors, I/O boards or peripheral equipment without the authorisation of management. The Group has not received any complaints regarding breaches of customer privacy.

B6.4 Intellectual Property

As of the end of the Reporting Period, the Group has obtained 21 active design trademarks. The Group strictly protects the Intellectual Property (IP) of itself and its business partners. Any use of the Group's IP information, be it belonging to the Group or its business partners, is to be reported and approved first.

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B7. Anti-corruption

The Group is committed to upholding integrity and fairness in its business operations which follows all relevant provisions of the Prevention and Suppression of Bribery in the Private Sector. The Group has formulated a formal Anti-Bribery and Anti-Corruption Policy to maintain a high level of ethical practices in the business. The policy sets out the responsibilities of those who work for the Group regarding observing and upholding a zero-tolerance position on issues related to bribery and corruption. Any act of corruption is to be condemned strongly. The policy applies to all stakeholders, including but not limited to, all employees (whether temporary, fixed-term, or permanent), consultants, contractors, trainees, seconded staff, home workers, casual workers, agency staff, volunteers, interns, agents, sponsors, or any other person(s) associated with the Group. The Group makes sure its employees are committed to acting professionally, fairly, and with integrity in all business dealings and relationships, anywhere the Group operates. The policy clearly states items that employees are entitled to receive and those that shall be refused, especially in the four common areas of, gifts and hospitality, facilitation payments, political contributions, and charitable contributions. It is also the Group's stance that gifts or offerings received by employees shall be disclosed to the compliance manager to avoid any misunderstandings, and gifts sent from suppliers shall always be disclosed. For payments made by the Group to other parties, whether they are charitable contributions, gifts, or any other forms of offering, they shall be legal and ethical, and follow local laws and commonly accepted practices. The Group monitors such payments and procedures by reviewing and controlling the value approved, obtaining relevant justifications, and cross-checking such information, to eliminate any chance of controversies. The Group will consider arranging webinars on anti-corruption for its employees and directors.

The Group has a whistle-blowing system which follows the Group's Unethical Conduct Notification Policy & Procedures. It allows employees to make a report if they are aware of any malpractice. The whistle-blowers should make their complaints to the line manager, the compliance manager or the director. Every reported case will be handled with confidentiality, except for the situation that the Group is required by law or regulation to disclose such cases. The Group ensures that no one suffers any detrimental treatment, or is negatively impacted in any way, as a result of refusing an offer to accept or carry out a bribe or other corrupt activities, or reporting a concern relating to potential act(s) of bribery or corruption. The Group reviews the Whistle-blowing Policy regularly to assess its effectiveness in encouraging the reporting of unethical conduct and investigates the reported cases fairly. The results of the investigation are prepared by the Audit Committee and reported to the Board and the CEO. During the Reporting Period, nine members of staff from the Admin and HR department, the equipment warehouse and consultancy and technical sales staff undertook a total of 9 hours of Anti-Corruption training provided by the Commission Against Corruption (CCAC) in December 2022. For the anti-corruption training, the Group provides training on the anti-corruption policy as part of the induction process for all new employees. Employees will also receive regular, relevant training annually on how to adhere to this policy.

The Group has not aided, abetted, assisted or colluded with an individual who has committed or conspired to commit any unlawful activities. No non-compliance with relevant laws and regulations that have a significant impact on the Group relating to corruption, bribery, fraud and money laundering had been identified during the Reporting Period.

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B8. *Community Investment*

The Group strives to carry out and practice acts of corporate social responsibility and actively participates in public welfare activities if capacity allows.

The Group has actively sponsored and provided internship programmes to local students, encouraged staff to join charitable and environmentally friendly activities, and supported the developmental activities of the industry which the Group belongs to. During the Reporting Period, the Group has also focused on supporting charities, providing educational opportunities, and promoting , see Table 6. It will consider formulating formal policies on community engagement soon.

Table 6 Community Investment made by the Group during the Reporting Period

Area of Contribution	The beneficiary of Contribution/Investment in Community	Contribution
Community Care	Chinese New Year packages donation to elderly care organization – Complexo de Serviços de Apoio ao Cidadão Sênior "Pou Tai" (Lar De Idosos Pou Tai under Pou Tai Sin Un)	200pcs Chinese New Year packages (Value around MOP 8,300)
Environmental Protection	"60+ Earth Hour" organised by World Wildlife Fund ("**WWF**")	Encouraged all employees to switch off unnecessary lights for 1 day.
Internship Program 2022	3 months internship program organized at Macao Polytechnic University	Provided internship opportunities for students who are studying gaming-related subjects at Macao Polytechnic University. Salaries and over 400 hours of training were provided to the students in the internship program. These contributions are worth around MOP 7,500.

INDEPENDENT AUDITOR'S REPORT

Grant Thornton
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To the members of
Asia Pioneer Entertainment Holdings Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Asia Pioneer Entertainment Holdings Limited (the "**Company**") and its subsidiaries (together, the "**Group**") set out on pages 78 to 150, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How the matter was addressed in our audit
Revenue recognition on technical sales and distribution of electronic gaming equipment	
We identified revenue recognition from technical sales and distribution of electronic gaming equipment as a key audit matter due to the quantitative significance of the transaction amounts to the consolidated statement of profit or loss and other comprehensive income. The Group enters into contracts with customers for technical sales and distribution of electronic gaming equipment. Management has applied judgment to determine the contracts are a single performance obligation as described in note 4 to the consolidated financial statements for revenue recognition. As disclosed in note 5.1 to the consolidated financial statements, the revenue from technical sales and distribution of electronic gaming equipment for the year ended 31 December 2022 is HK$6,097,061.	Our audit procedures in relation to revenue recognition on technical sales and distribution of electronic gaming equipment included the following: • obtained an understanding of the processes and internal control in relation to recognition of revenue from technical sales and distribution of electronic gaming equipment; • assessed the appropriateness of judgment made by management on revenue recognition on the technical sales and distribution of electronic gaming equipment by reviewing the sales contracts, on a sample basis, with reference to IFRS 15; and • tested the revenue recognised from technical sales and distribution of electronic gaming equipment, on a sample basis, against sales contracts or orders, approved model list of electronic gaming equipment by local regulatory authorities and customer acknowledgement of delivery and installation to evaluate whether the control of the electronic gaming equipment has passed to the customers.

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How the matter was addressed in our audit
Valuation of inventories	
We identified the valuation of inventories as a key audit matter due to its magnitude and the significant accounting estimates and judgments involved in the valuation. Inventories are carried at the lower of cost and net realisable value in the consolidated financial statements. Management determines the lower of cost and net realisable value of inventories by considering the ageing analysis, inventory obsolescence and the subsequent selling price of each individual inventory item. As disclosed in notes 10 and 16 to the consolidated financial statements, the net carrying value of inventories was HK$2,617,709 as at 31 December 2022, and allowance of HK$90,195 was recognised in the consolidated statement of profit or loss and other comprehensive income during the year ended 31 December 2022.	Our audit procedures in relation to the valuation of inventories included the following: • obtained an understanding of management's processes and internal control regarding the identification of slow-moving inventories and valuation of inventories; • attended the physical inventory count to observe the physical conditions of inventories and to identify damaged or obsolete inventories; • tested the accuracy of the inventory ageing analysis, on a sample basis, by checking to the source documents; • tested the subsequent sales, on a sample basis, to the source documents; and • assessed the reasonableness of the valuation of inventories, on a sample basis, with reference to the latest price list, recent selling prices, physical conditions, ageing analysis and subsequent sales of inventories.

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How the matter was addressed in our audit
Impairment assessment of property and equipment and right-of-use assets	
As at 31 December 2022, the Group has property and equipment of HK$2,302,207 (net of accumulated impairment loss of HK$408,775) and right-of-use assets of HK$790,290 (net of accumulated impairment loss of HK$1,666,542). Impairment indications were noted as at 31 December 2022. The management performed impairment assessment by measuring the recoverable amount of cash generating units ("**CGUs**") to which the property and equipment and right-of-use assets belongs, based on value-in-use of the CGUs supported by future discounted cash flows. We identified the impairment assessment of property and equipment and right-of-use assets as key audit matter because of their significance to the consolidated financial statements and the level of subjectivity associated with the assumptions used in estimating the recoverable amount of the CGUs, including cash flows forecast, growth rate used to extrapolate the cash flows and the rate at which they are discounted.	Our audit procedures in relation to the impairment assessment of CGUs to which the property and equipment and right-of-use assets belong included the following: • reviewed the cash flow forecast of the CGUs prepared by the management; • assessed the reasonableness of key assumptions (including profit margins, long-term growth rate and discount rate) based on our knowledge of the business and industry and taking into account of the accuracy of previous forecasts and historical information; and • tested the management's sensitivity calculations by applying our own sensitivity analysis to the cash flows forecast, long-term growth rate and discount rate to ascertain the extent to which reasonable adverse changes would, either individually or in aggregate require an impairment of either the property and equipment and right-of-use assets.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information in the 2022 annual report of the Company, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors assisted by the Audit Committee are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion 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.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Grant Thornton Hong Kong Limited
Certified Public Accountants
11th Floor, Lee Garden Two
28 Yun Ping Road
Causeway Bay
Hong Kong SAR

27 March 2023

Lau Kwong Kei
Practising Certificate No.: P07578

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

	NOTES	2022 HK$	2021 HK$
Revenue from contracts with customers	5	**10,509,128**	7,633,467
Cost of sales		**(10,648,404)**	(6,782,931)
Gross (loss)/profit		**(139,276)**	850,536
Other income, gains and losses	6	**884,084**	148,407
Write-down of inventories to net realisable value		**(90,195)**	(3,260,093)
Impairment losses under expected credit loss ("**ECL**") model, net of reversal	7	**(5,034)**	(1,303)
Impairment loss on property and equipment and right-of-use assets	14, 15	**–**	(2,075,317)
Operating expenses		**(16,231,086)**	(18,653,372)
Finance costs	8	**(91,890)**	(85,620)
Loss before income tax		**(15,673,397)**	(23,076,762)
Income tax credit	9	**932,036**	–
Loss and total comprehensive expense for the year	10	**(14,741,361)**	(23,076,762)

		HK cents	HK cents
Loss per share			
Basic and diluted	13	**(1.47)**	(2.31)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	NOTES	**2022** **HK$**	2021 HK$
ASSETS AND LIABILITIES			
Non-current assets			
Property and equipment	14	**2,302,207**	1,769,683
Right-of-use assets	15	**790,290**	752,055
Deposit for property and equipment		**224,040**	401,881
Rental deposits	17	**155,062**	109,935
		3,471,599	3,033,554
Current assets			
Inventories	16	**2,617,709**	4,475,020
Trade and other receivables	17	**6,706,291**	5,346,518
Fixed bank deposit	18	**40,384**	40,304
Bank balances and cash		**12,844,980**	29,874,470
		22,209,364	39,736,312
Current liabilities			
Trade and other payables	19	**2,894,701**	3,036,773
Contract liabilities	20	**56,094**	–
Lease liabilities	21	**696,200**	1,798,667
Income tax payable		**3,403,573**	4,335,609
		7,050,568	9,171,049
Net current assets		**15,158,796**	30,565,263
Total assets less current liabilities		**18,630,395**	33,598,817
Non-current liability			
Lease liabilities	21	**361,601**	588,662
Net assets		**18,268,794**	33,010,155
EQUITY			
Share capital	23	**10,000,000**	10,000,000
Reserves		**8,268,794**	23,010,155
Total equity		**18,268,794**	33,010,155

The consolidated financial statements on pages 78 to 150 were approved and authorised for issue by the board of directors on 27 March 2023 and are signed on its behalf by:

Mr. Huie, Allen Tat Yan
Director

Mr. Ng Man Ho Herman
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

	Share capital *HK$*	Share premium* *HK$*	Merger reserve* *HK$* *(Note (a))*	Legal reserve* *HK$* *(Note (b))*	Accumulated losses* *HK$*	Total *HK$*
As at 1 January 2021	10,000,000	55,098,836	(3,416,148)	504,489	(6,100,260)	56,086,917
Loss and total comprehensive expense for the year	–	–	–	–	(23,076,762)	(23,076,762)
As at 31 December 2021 and 1 January 2022	10,000,000	55,098,836	(3,416,148)	504,489	(29,177,022)	33,010,155
Loss and total comprehensive expense for the year	–	–	–	–	(14,741,361)	(14,741,361)
Balance as at 31 December 2022	**10,000,000**	**55,098,836**	**(3,416,148)**	**504,489**	**(43,918,383)**	**18,268,794**

* The reserves accounts comprise the Group's reserves of HK$8,268,794 (2021: HK$23,010,155) in the consolidated statement of financial position.

Notes:

(a) The balance of merger reserve represented the share capital of a subsidiary prior to the group reorganisation as part of initial public offering of the Company (the "**Reorganisation**") and the difference between the nominal value of the shares of the Company issued for the acquisition of that subsidiary and the carrying amount of total equity of that subsidiary at the date of completion of the Reorganisation.

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

	NOTES	2022 HK$	2021 HK$
OPERATING ACTIVITIES			
Loss before income tax		**(15,673,397)**	(23,076,762)
Adjustments for:			
Depreciation of property and equipment	14	**562,956**	1,047,991
Depreciation of right-of-use assets	15	**520,495**	1,300,725
Finance costs	8	**91,890**	85,620
Interest income under effective interest method	6	**(7,402)**	(7,207)
Bank interest income	6	**(4,455)**	(607)
COVID-19-related rent concessions	6	**(256,768)**	(800)
Impairment losses under ECL model, net of reversal	7	**5,034**	1,303
Impairment loss on property and equipment	14	**–**	408,775
Impairment loss on right-of-use assets	15	**–**	1,666,542
(Gain)/loss on disposal of property and equipment	10	**(18,421)**	1,117
Gain on lease termination	10	**(5,892)**	–
Write-down of inventories to net realisable value	10	**90,195**	3,260,093
Write-off of other receivables	10	**–**	106,867
Operating cash flows before working capital changes		**(14,695,765)**	(15,206,343)
Decrease in inventories		**1,767,116**	731,786
(Increase)/decrease in trade and other receivables		**(1,402,532)**	1,111,634
Decrease in trade and other payables		**(142,072)**	(486,342)
Increase/(decrease) in contract liabilities		**56,094**	(695,587)
NET CASH USED IN OPERATING ACTIVITIES		**(14,417,159)**	(14,544,852)
INVESTING ACTIVITIES			
Interest received		**4,455**	607
Placement of fixed bank deposit		**(80)**	(51)
Purchase of property and equipment	14	**(868,831)**	(2,131,336)
Proceeds from disposal of property and equipment		**42,620**	29,031
Deposit paid for property and equipment		**(73,007)**	(401,881)
NET CASH USED IN INVESTING ACTIVITIES		**(894,843)**	(2,503,630)
FINANCING ACTIVITIES			
Repayments of lease liabilities	28	**(1,717,488)**	(1,285,047)
NET CASH USED IN FINANCING ACTIVITIES		**(1,717,488)**	(1,285,047)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(17,029,490)**	(18,333,529)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**29,874,470**	48,207,999
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**12,844,980**	29,874,470

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

1. GENERAL INFORMATION

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 SAR is located at EM Macau, Estrada Marginal do Hipódromo N°S 56-66, Industrial Lee Cheung F10. The issued shares have been listed on GEM of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 15 November 2017.

As at 31 December 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:

(a) 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**").

(b) 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**").

The 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. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

Amended IFRSs that are effective for annual periods beginning on or after 1 January 2022

In the current year, the Group has applied for the first time the following amended IFRSs issued by the International Accounting Standards Board ("**IASB**"), which are relevant to the Group's operations and effective for the Group's consolidated financial statements for the annual period beginning on 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
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combination

The adoption of the 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.

Issue 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 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback[2]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5[2]
Amendments to IAS 1	Non-current Liabilities with Covenants[2]
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 for annual periods beginning on or after 1 January 2024
[3] Effective date not yet determined

The directors 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. Information on new and amended IFRSs that are expected to have impact on the Group's accounting policies is provided below. Other new and amended IFRSs are not expected to have a material impact on the Group's consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(Continued)*

Issue but not yet effective IFRSs *(Continued)*

Amendments to IFRS 16 "Lease Liability in a Sale and Leaseback"

The amendments specify that, in subsequent measurement of the lease liability arising from a sale and leaseback transaction (where the transaction qualifies as a sale under IFRS 15), a seller-lessee determines "lease payments" and "revised lease payments" in a way that does not result in the recognition of a gain or loss that relates to the right of use it retains. It would reduce the lease liability as if the "lease payments" estimated at the date of transaction had been paid. Any difference between those lease payments and the amounts actually paid is recognised in profit or loss. The amendments do not prescribe a particular method of subsequent measurement. The seller-lessee will need to develop and apply an accounting policy that results in relevant and reliable information in accordance with IAS 8.

The illustrative examples to IFRS 16 have also been amended. Example 24 now illustrates a sale and leaseback transaction with fixed payments and above-market terms. A new Example 25 illustrates a sale and leaseback transaction with variable lease payments that do not depend on an index or rate. The illustrative examples also clarify that the liability, that arise from a sale and leaseback transaction that qualifies as a sale applying IFRS 15, is a lease liability.

Amendments to IFRS 16 are effective for annual reporting period beginning on or after 1 January 2024 and are applied by seller-lessee retrospectively to sale and leaseback transactions entered into after the date of initial application (i.e. from the beginning of annual reporting period in which the entity first applied IFRS 16). Earlier application is permitted. The directors of the Group expect that the amendments have no material impact on the consolidated financial statements.

Amendments to HKAS 1 "Non-current Liabilities with Covenants" ("2022 Amendments")

2022 Amendments issued in 2022 clarified that only covenants of a liability arising from a loan arrangement, which an entity must comply with on or before the reporting date (even if the covenant is only assessed after the reporting date) affect the classification of that liability as current or non-current. Those covenants to be complied with after the reporting date do not affect the classification of loan arrangements as current or non-current at the reporting date.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(Continued)*

Issue but not yet effective IFRSs *(Continued)*

Amendments to HKAS 1 "Non-current Liabilities with Covenants" ("2022 Amendments") *(Continued)*
Besides, the 2022 Amendments required an entity to provide additional disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months. The information provided should enable users of financial statements to understand the risk that the liability could become repayable within twelve months of the reporting period, including:

- the carrying amount of the related liabilities;
- information about the covenants (including the nature of the covenants and when the entity is required to comply with them); and
- facts and circumstances, if any, that indicate that an entity may have difficulty complying with covenants. Such facts and circumstances could also include the fact that the entity would not have complied with the covenants based on its circumstances at the end of the reporting period.

The 2022 Amendments also deferred the effective date of the 2020 Amendments to the annual reporting periods beginning on or after 1 January 2024, in which both amendments are to be applied as a package and apply retrospectively. Earlier application is permitted. The directors of the Group expect that the amendments have no material impact on the consolidated financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

These annual consolidated financial statements have been prepared in accordance with IFRSs which collective term includes all applicable individual IFRSs, International Accounting Standards and Interpretations issued by the IASB. The consolidated financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance (the "**CO**") and include the applicable disclosure requirements of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "**GEM Listing Rules**").

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated. The adoption of new or amended IFRSs and the impacts on the Group's consolidated financial statements, if any, are disclosed in note 2.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.1 Basis of preparation *(Continued)*

The consolidated financial statements have been prepared on the historical cost basis. The measurement bases are fully described in the accounting policies below.

Going concern basis

During the year ended 31 December 2022, the Group recorded a net loss of HK$14,741,361 and net cash used in operating activities of HK$14,417,159. As at 31 December 2022, the Group's bank balances and cash amounting to HK$12,844,980. The Group's operations are financed by internal resources.

The directors have reviewed the current performance and cash flows forecast prepared by the management as part of their assessment of the Group's ability to continue as a going concern, and carefully considered the matters and detailed assessment of going concern set out in note 4.2. The directors have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

It should be noted that accounting estimates and assumptions are used in preparation of the consolidated financial statements. Although these estimates are based on management's best knowledge and judgment of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

3.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year.

Subsidiaries are entities controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power over the entity, only substantive rights relating to the entity (held by the Group and others) are considered.

The Group includes the income and expenses of a subsidiary in the consolidated financial statements from the date it gains control until the date when the Group ceases to control the subsidiary.

Intra-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated in preparing the consolidated financial statements. Where unrealised losses on sales of intra-group asset are reversed on consolidation, the underlying asset is also tested for impairment from the Group's perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Basis of consolidation *(Continued)*

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the related assets (i.e., reclassified to profit or loss or transferred directly to retained profits). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 "Financial Instruments" or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

In the Company's statement of financial position, subsidiaries are carried at cost less any impairment loss unless the subsidiary is held for sale or included in a disposal group. Cost also includes direct attributable costs of investment.

The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the end of the reporting period. All dividends whether received out of the investee's pre or post-acquisition profits are recognised in the Company's profit or loss.

3.3 Revenue from contracts with customers

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 or 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 or enhances an asset that the customer controls as the Group performs; or

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.3 Revenue from contracts with customers *(Continued)*

- 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.

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.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Contracts with multiple performance obligations (including allocation of transaction price)
For contracts that contain more than one performance obligation, 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.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Output method
The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

As a practical expedient, if the Group has a right to consideration in an amount that corresponds directly with the value of the Group's performance completed to date, the Group bills a fixed amount for monthly service provided, the Group recognises revenue in the amount to which the Group has the right to invoice.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.3 Revenue from contracts with customers *(Continued)*

Warranties

For assurance-type warranties, the promised service does not represent a separate performance obligation. In that case, no portion of the transaction price is allocated to the warranty.

Existence of significant financing component

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

For contracts where the period between payment and transfer of the associated goods or services is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.3 Revenue from contracts with customers *(Continued)*

Sales of goods through Smart VM

The Group operates Smart VM for selling various Macau sourced products to consumers and travellers. Revenue from sales of goods are recognised when the control of the product has transferred to the customer. There was no right of return for the sales to the end customer. The sales are settled through convenient e-payment systems.

All of Smart VM are directly operated by the Group, certain consignment goods are dispensed by the Group's Smart VM for selling to the ultimate customer. The Group acts as an agent rather than the principal in the transaction since the Group is not primarily responsible for fulfilling the promise to provide the goods to the ultimate customers, does not take inventory risk and has no pricing latitude. Hence the Group do not obtain the control of goods before they are transferred to the ultimate customer. Revenue is recognised when control of the products has transferred to the ultimate customer.

Incremental costs of obtaining a contract

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained.

The Group recognises such costs as an asset if it expects to recover these costs. The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate.

The Group applies the practical expedient of expensing all incremental costs to obtain a contract if these costs would otherwise have been fully amortised to profit or loss within one year.

3.4 Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 "Leases" at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.4 Leases *(Continued)*

The Group as a lessee

Allocation of consideration to components of a contract
For contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group also applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the consolidated financial statements would not differ materially from individual leases within the portfolio.

Short-term leases
The Group applies the short-term lease recognition exemption to leases of car parks, warehouses, dormitories and premises for vending machines that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets
The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.4 Leases *(Continued)*

The Group as a lessee *(Continued)*

Right-of-use assets (Continued)
Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits
Refundable rental deposits paid are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities
At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.4 Leases *(Continued)*

The Group as a lessee *(Continued)*

Lease liabilities (Continued)

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment; or

- the lease payments change due to changes in market rental rates following a market rent review in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Lease modifications

The Group accounts for lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying IFRS 16 if the changes were not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in profit or loss in the period in which the event occurs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.5 Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity.

3.6 Retirement benefit costs

Employees employed by the Group in Macau SAR are members of government-managed social benefit schemes operated by the Macau SAR government. The Macau SAR operation is required to pay a monthly fixed contribution to the social benefits schemes to fund the benefits. The only obligation of the Group with respect to the social benefits scheme operated by the Macau SAR government is to make the required contributions under the scheme.

Payments to the defined contribution retirement scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

During the years ended 31 December 2022 and 2021, there were no contributions forfeited by the Group on behalf of its employees who left the plan prior to vesting fully in such contribution, nor had there been any utilisation of such forfeited contributions to reduce future contributions. As at 31 December 2022 and 2021, no forfeited contributions were available for utilisation by the Group to reduce the existing level of contribution.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.7 Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another IFRS requires or permits their inclusion in the cost of an asset.

3.8 Share-based payments

Equity-settled share-based payment transactions

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share-based payments reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payments reserve.

When the share options are exercised, the amount previously recognised in employee share-based payments reserve will be transferred to share capital. When the share options are forfeited or are still not exercised at the expiry date, the amount previously recognised in the employee share-based payments reserve will be transferred to retained profits.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.9 Taxation

Income tax expenses represent the sum of the tax currently payable.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before income tax" as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.9 Taxation *(Continued)*

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 requirements to right-of-use assets and lease liabilities separately. Temporary differences on initial recognition of the relevant right-of-use assets and lease liabilities are not recognised due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax is recognised in profit or loss.

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be use by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

3.10 Property and equipment

Property and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes. Property and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.11 Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.12 Impairment of non-financial assets

At the end of the reporting period, the Group reviews the carrying amounts of its property and equipment, right-of-use assets and the Company's investments in subsidiaries to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of asset is estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit ("**CGU**") to which the asset belongs. Corporate assets are allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

3.13 Inventories

Inventories, which mainly represent the spare parts, finished goods and merchandise, are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.14 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Provisions for the costs to restore leased assets to their original condition, as required by the terms and conditions of the lease, are recognised at the date of inception of the lease at the directors' best estimate of the expenditure that would be required to restore the assets. Estimates are regularly reviewed and adjusted as appropriate for new circumstances.

3.15 Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a settlement date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15 "Revenue from Contracts with Customers". Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("**FVTPL**")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.15 Financial instruments *(Continued)*

Financial assets

Classification and subsequent measurement of financial assets
Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("**FVTOCI**"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("**OCI**") if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 "Business Combination" applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term;

- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that is required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.15 Financial instruments *(Continued)*

Financial assets *(Continued)*

Classification and subsequent measurement of financial assets (Continued)

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments/receivables subsequently measured at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Debt instruments classified as at FVTOCI

Subsequent changes in the carrying amounts for debt instruments classified as at FVTOCI as a result of interest income calculated using the effective interest method are recognised in profit or loss. All other changes in the carrying amount of these debt instruments are recognised in OCI and accumulated under the heading of FVTOCI reserve. Impairment allowances are recognised in profit or loss with corresponding adjustment to OCI without reducing the carrying amounts of these debt instruments. When these debt instruments are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

(iii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the FVTOCI reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will continue to be held in the FVTOCI reserve.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

(iv) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.15 Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets

The Group performs impairment assessment under ECL model on financial assets (including rental deposits, trade and other receivables, fixed bank deposit and bank balances) which are subject to impairment under IFRS 9. 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 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 are 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. The ECL on these assets are assessed collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12-month 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.

(i) *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;

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.15 Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

(i) Significant increase in credit risk (Continued)

- existing or forecast adverse changes in regulatory, business, financial or economic conditions or technological environment that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations; and

- an actual or expected significant deterioration in the operating results of the debtor.

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.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset 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.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.15 Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

(iii) Credit-impaired financial assets (Continued)

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) 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. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with IFRS 16.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.15 Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

(v) Measurement and recognition of ECL (Continued)

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's trade and other receivables, fixed bank deposit and bank balances) are each assessed as a separate group;
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

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.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.15 Financial instruments *(Continued)*

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities at amortised cost

Financial liabilities including trade and other payables and lease liabilities are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3.16 Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants relate to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "Other income, gains and losses" in the consolidated statement of profit or loss and other comprehensive income.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.17 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors, being the chief operating decision maker (the "**CODM**") for their decisions about resources allocation to and for their review of the performance of the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

The Group has identified the following two reportable segments:

(1) EGE Business; and

(2) Smart VM Business.

Each of these operating segments is managed separately as each of the service lines requires different resources as well as marketing approaches. All inter-segment transfers are carried out at arm's length prices.

The measurement policies that the Group used for reporting segment results under IFRS 8 "Operating Segments" are the same as those used in its financial statements prepared under IFRSs, except that the following items are not included in arriving at the operating results of the operating segment:

— income tax; and

— corporate income and expenses which are not directly attributable to the business activities of any operating segment.

Segment assets include all assets but corporate assets which are not directly attributable to the business activities of any reportable segment are not allocated to a segment, which primarily applies to the Group's headquarter.

Segment liabilities exclude corporate liabilities which are not directly attributable to the business activities of any operating segment and are not allocated to a segment.

No asymmetrical allocations have been applied to reportable segments.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.18 Related parties

For the purposes of these consolidated financial statements, a party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group.

(b) the party is an entity and if any of the following conditions applies:

- (i) the entity and the Group are members of the same group.
- (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) the entity and the Group are joint ventures of the same third party.
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
- (vi) the entity is controlled or jointly controlled by a person identified in (a).
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies which are described in note 3, the management of the Group is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

4.1 Critical judgments in applying accounting policies

The following are the critical judgments, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Principal versus agent consideration (principal)

The Group mainly engages in Technical Sales and Distribution of Electronic Gaming Equipment. The Group recognises revenue on gross basis based on the requirements in IFRS 15. The Group concluded that the Group acts as the principal for such transactions as it controls the specified good before it is transferred to the customer after taking into consideration indicators such as the Group is primarily responsible for fulfilling the promise to provide the electronic gaming equipment.

During the year ended 31 December 2022, the Group recognised revenue relating to Technical Sales and Distribution of Electronic Gaming Equipment amounted to HK$6,097,061 (2021: HK$5,029,662) as set out in note 5.1.

Revenue recognition for Technical Sales and Distribution of Electronic Gaming Equipment at a point in time (single performance obligation)

The Group enters into contracts with customers (casino operators) for Technical Sales and Distribution of Electronic Gaming Equipment.

The directors of the Company considered such contract consist of a single distinct performance obligation. Only upon meeting all of following criteria, the control of the goods is considered to be passed to the customers and hence, the revenue on Technical Sales and Distribution of Electronic Gaming Equipment is recognised as sales of goods, as disclosed in note 3.3.

(a) Procurement and delivery of electronic gaming equipment;

(b) Assist in obtaining the local regulatory approval of the electronic gaming equipment, if needed; and

(c) On-site installation of the electronic gaming equipment at the casino.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

4.1 Critical judgments in applying accounting policies *(Continued)*

Revenue recognition for Technical Sales and Distribution of Electronic Gaming Equipment at a point in time (single performance obligation) *(Continued)*

In making the judgment, the directors of the Company considered the detailed criteria for the recognition of sales of goods set out in IFRS 15 and in particular, whether each component has separate commercial substance and should be separately identifiable. The directors of the Company believed that (1) the equipment installation service is incidental to the sales of goods, (2) the regulatory approval is highly interrelated with the sales of goods and (3) the warranty is of an assurance nature. Therefore, the directors of the Company satisfy that recognition of Technical Sales and Distribution of Electronic Gaming Equipment is appropriate at a point in time when the goods are delivered and control have been passed.

4.2 Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Provision of ECL for trade receivables

The Group uses provision matrix to calculate ECL for trade receivables. The provision rates are based on internal credit ratings as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At each end of the reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the Group's trade receivables and the ECL are disclosed in notes 17 and 27.2 respectively.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

4.2 Key sources of estimation uncertainty *(Continued)*

Allowance for inventories

Net realisable value of inventories (note 16) is the estimated selling price in the ordinary course of business, less all estimated costs necessary of completion and cost necessary to make the sale. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to changes in market conditions. Management reassesses these estimations at the end of each reporting period.

Going concern basis

As set out in note 3.1, the consolidated financial statements have been prepared on a going concern basis. After carefully considered the matters described below, the directors have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future.

(i) During the year ended 31 December 2022, the Group recorded a net loss of HK$14,741,361. The Group's business was adversely affected by the nearly 3 years' zero COVID-19 policies in Macau. After the zero COVID-19 policy has been abandoned in January 2023, daily lives and businesses are returning to normal. Mass gamers, consumers and business return to Macau and Asian region. Management has been continuously implementing measures to improve the Group's revenue and control operating costs in order to improve the Group's profitability.

The appropriateness of the going concern basis is assessed after taking into consideration the relevant available information about future of the Group, including the Group's cash position and cash flow forecast. Such assessment inherently involves uncertainties. Actual results could differ significantly and hence render the adoption of the going concern basis inappropriate.

5. REVENUE AND SEGMENT INFORMATION

5.1 Revenue

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

(i) 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 revenue recognition during the years ended 31 December 2022 and 2021 were as follows:

	EGE Business			Smart VM Business	
	Technical sales and distribution of electronic gaming equipment *HK$*	Consultancy and technical services *HK$*	Repair services *HK$*	Smart VM *HK$*	Total *HK$*
2022					
Types of goods or services					
Technical sales and distribution of electronic gaming equipment					
— Electronic table games	626,796	–	–	–	626,796
— Electronic gaming machines	2,560,007	–	–	–	2,560,007
— Spare parts	2,910,258	–	–	–	2,910,258
	6,097,061	–	–	–	6,097,061
Consultancy and technical services					
— Technical supports	–	1,227,225	–	–	1,227,225
— Consultancy services	–	1,805,864	–	–	1,805,864
	–	3,033,089	–	–	3,033,089
Repair services	–	–	463,558	–	463,558
Smart VM					
— Sale of own goods	–	–	–	892,246	892,246
— Consignment sale	–	–	–	23,174	23,174
	–	–	–	915,420	915,420
Total	6,097,061	3,033,089	463,558	915,420	10,509,128
Geographical markets					
Macau SAR	1,125,535	3,033,089	463,558	859,438	5,481,620
Cyprus	2,560,007	–	–	–	2,560,007
Taiwan	1,425,236	–	–	–	1,425,236
Philippines	810,604	–	–	–	810,604
People's Republic of China	33,534	–	–	55,982	89,516
Korea	74,484	–	–	–	74,484
Malaysia	61,722	–	–	–	61,722
Others	5,939	–	–	–	5,939
Total	6,097,061	3,033,089	463,558	915,420	10,509,128
Timing of revenue recognition					
At a point in time	6,097,061	481,349	463,558	915,420	7,957,388
Overtime	–	2,551,740	–	–	2,551,740
Total	6,097,061	3,033,089	463,558	915,420	10,509,128

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

5.1 Revenue *(Continued)*

(i) *Disaggregation of revenue from contracts with customers* (Continued)

	EGE Business			Smart VM Business	
	Technical sales and distribution of electronic gaming equipment *HK$*	Consultancy and technical services *HK$*	Repair services *HK$*	Smart VM *HK$*	Total *HK$*
2021					
Types of goods or services					
Technical sales and distribution of electronic gaming equipment					
— Electronic table games	2,466,807	–	–	–	2,466,807
— Electronic gaming machines	1,803,950	–	–	–	1,803,950
— Spare parts	758,905	–	–	–	758,905
	5,029,662	–	–	–	5,029,662
Consultancy and technical services					
— Technical supports	–	826,069	–	–	826,069
— Consultancy services	–	980,936	–	–	980,936
	–	1,807,005	–	–	1,807,005
Repair services	–	–	651,495	–	651,495
Smart VM					
— Sale of own goods	–	–	–	142,273	142,273
— Consignment sale	–	–	–	3,032	3,032
	–	–	–	145,305	145,305
Total	5,029,662	1,807,005	651,495	145,305	7,633,467
Geographical markets					
Macau SAR	3,817,296	1,807,005	651,495	140,537	6,416,333
Philippines	1,096,012	–	–	–	1,096,012
Vietnam	56,622	–	–	–	56,622
Korea	54,140	–	–	–	54,140
Others	5,592	–	–	4,768	10,360
Total	5,029,662	1,807,005	651,495	145,305	7,633,467
Timing of revenue recognition					
At a point in time	5,029,662	31,800	651,495	145,305	5,858,262
Overtime	–	1,775,205	–	–	1,775,205
Total	5,029,662	1,807,005	651,495	145,305	7,633,467

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

5.1 Revenue *(Continued)*

(ii) Performance obligations for contracts with customers

Technical Sales and Distribution of Electronic Gaming Equipment

The Group enters into contracts with customers (casino operators) for Technical Sales and Distribution of Electronic Gaming Equipment include the performance obligation (as a whole) including:

(a) Procurement and delivery of electronic gaming equipment;

(b) Assist in obtaining the local regulatory approval of the electronic gaming equipment, if needed; and

(c) On-site installation of the electronic gaming equipment at the casino.

The directors of the Company considered such contract consist of a single distinct performance obligation and therefore, the revenue on Technical Sales and Distribution of Electronic Gaming Equipment is recognised when the control of the electronic gaming equipment is fully transferred to the customer; i.e. when the electronic gaming equipment approved by the local regulatory are delivered and installed.

Under the Group's standard contract terms, the customers do not have a right to exchange nor return the electronic gaming machines. Instead, the Group provides a sales-related warranty for technical supports on those electronic gaming equipment ranging from three months to one year since the invoice date. Such warranty associated with electronic gaming machines cannot be purchased separately and they serve as an assurance.

Consultancy and Technical Services

Revenue from Consultancy 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;

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

5.1 Revenue *(Continued)*

(ii) ***Performance obligations for contracts with customers*** *(Continued)*

Consultancy and Technical Services (Continued)

- 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.

Revenue from Consultancy and Technical Services, which does not satisfy any criteria to be recognised over time, is recognised upon the milestone completion in accordance with the terms and substances of the contracts.

Repair Services
The Group enters into contracts with customers (casino operators) for repairing electronic gaming equipment. This service is a distinct and stand-alone contract separate from those contracts with customers for Technical Sales and Distribution of Electronic Gaming Equipment.

The directors of the Company considered that the control of the repaired electronic gaming equipment is transferred to the customer when the customer acknowledges the condition of repaired electronic gaming equipment upon delivery. The revenue of the repair services is recognised and payment of the transaction price is effective at the point when the repaired electronic gaming equipment is acknowledged by the customer. The normal credit term is 30 days since the invoice date.

*Smart vending machines ("**Smart VM**")*

(a) *Sale of own goods*

Revenue from the sale of various Macau sourced products for a fixed price is recognised when or as the Group transfers control of the assets to the customer. Control transfers at the point in time when the goods are delivered and the customer has accepted the goods.

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

5.1 Revenue *(Continued)*

(ii) ***Performance obligations for contracts with customers*** *(Continued)*

*Smart vending machines ("**Smart VM**") (Continued)*

(b) Consignment sale

For consignment sale, the consignors will pay the commission income based on a fixed fee per sale transaction in accordance with the terms of contracts. The Group receives the entire sales proceeds from ultimate customers on behalf of the consignors and reimburses the sales proceeds back to consignors after deducting the commission income.

Commission income from consignment sale is recognised at a point in time and based on fixed fee per sale transaction made by the ultimate customers in accordance with the terms of contracts.

5.2 Segment information

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; (b) Smart VM Business.

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 CODM, who are the executive directors, review the overall results and financial position of the Group as a whole prepared based on same accounting policies which conform to IFRSs as further set out in note 3.17. The CODM have identified two segments, being (i) the EGE Business and (ii) the Smart VM Business as reportable segments.

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

5.2 Segment information *(Continued)*

(a) *Reportable segment results, assets and liabilities*

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

	EGE Business *HK$*	Smart VM Business *HK$*	Total *HK$*
For the year ended 31 December 2022			
Reportable segment revenue			
— From external customers	**9,593,708**	**915,420**	**10,509,128**
Reportable segment results *(Note)*	**(10,999,695)**	**(1,672,150)**	**(12,671,845)**
Unallocated corporate income			**3,982**
Unallocated corporate expenses			**(3,005,534)**
Loss before income tax			**(15,673,397)**
Income tax credit			**932,036**
Loss for the year			**(14,741,361)**

Note:

	EGE Business *HK$*	Smart VM Business *HK$*	Unallocated *HK$*	Total *HK$*
For the year ended 31 December 2022				
Amounts included in the measure of segment results				
— Bank interest income	**421**	**51**	**3,982**	**4,454**
— Net foreign exchange loss	**(20,398)**	**(24,061)**	**–**	**(44,459)**
— Depreciation of property and equipment	**(13,191)**	**(549,765)**	**–**	**(562,956)**
— Depreciation of right-of-use assets	**–**	**(520,495)**	**–**	**(520,495)**
— Impairment loss on trade receivables, net of reversal	**(5,034)**	**–**	**–**	**(5,034)**
— Effective interest income on rental deposits	**7,402**	**–**	**–**	**7,402**
— Gain on disposal of property and equipment	**–**	**18,421**	**–**	**18,421**
— Finance costs	**(40,051)**	**(51,839)**	**–**	**(91,890)**
— Write-down of inventories to net realisable value	**(72,719)**	**(17,476)**	**–**	**(90,195)**
Other segment item				
Additions to non-current assets	**91,670**	**2,035,100**	**–**	**2,126,770**
As at 31 December 2022				
Segment assets	**14,261,423**	**3,893,604**	**7,525,936**	**25,680,963**
Segment liabilities	**6,182,469**	**971,762**	**257,938**	**7,412,169**

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

5.2 Segment information *(Continued)*

(a) ***Reportable segment results, assets and liabilities*** *(Continued)*

	EGE Business *HK$*	Smart VM Business *HK$*	Total *HK$*
For the year ended 31 December 2021			
Reportable segment revenue			
— From external customers	**7,488,162**	**145,305**	**7,633,467**
Reportable segment results *(Note)*	**(18,787,742)**	**(817,480)**	**(19,605,222)**
Unallocated corporate income			**152**
Unallocated corporate expenses			**(3,471,692)**
Loss before income tax			**(23,076,762)**
Income tax credit			**–**
Loss for the year			**(23,076,762)**

Note:

	EGE Business *HK$*	Smart VM Business *HK$*	Unallocated *HK$*	Total *HK$*
For the year ended 31 December 2021				
Amounts included in the measure of segment results				
— Bank interest income	**442**	**13**	**152**	**607**
— Net foreign exchange loss	**(82,148)**	**(13,955)**	**–**	**(96,103)**
— Depreciation of property and equipment	**(898,795)**	**(149,196)**	**–**	**(1,047,991)**
— Depreciation of right-of-use assets	**(1,232,560)**	**(68,165)**	**–**	**(1,300,725)**
— Impairment loss on trade receivables, net of reversal	**(1,303)**	**–**	**–**	**(1,303)**
— Impairment loss on property and equipment	**(408,775)**	**–**	**–**	**(408,775)**
— Impairment loss on right-of-use assets	**(1,666,542)**	**–**	**–**	**(1,666,542)**
— Effective interest income on rental deposits	**7,207**	**–**	**–**	**7,207**
— Loss on disposal of property and equipment	**–**	**(1,117)**	**–**	**(1,117)**
— Finance costs	**(78,571)**	**(7,049)**	**–**	**(85,620)**
— Write-off of other receivables	**(106,867)**	**–**	**–**	**(106,867)**
— Write-down of inventories to net realisable value	**(3,260,093)**	**–**	**–**	**(3,260,093)**
Other segment item				
Additions to non-current assets	**889,741**	**3,137,960**	**–**	**4,027,701**
As at 31 December 2021				
Segment assets	**23,725,568**	**3,405,356**	**15,638,942**	**42,769,866**
Segment liabilities	**8,164,846**	**1,102,802**	**492,063**	**9,759,711**

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

5.2 Segment information *(Continued)*

(b) *Transaction price allocated to the remaining performance obligation for contracts with customers*

As permitted by IFRS 15, the transaction price allocated to unsatisfied contracts for periods of one year or less is not disclosed.

(c) *Information about major customers*

Revenue from customers individually contributing over 10% of the total revenue of the Group of the corresponding years are as follows:

	2022	2021
	HK$	*HK$*
Customer A	**N/A#**	993,116
Customer B	**2,560,007**	N/A#
Customer C	**1,900,573**	1,741,479
Customer D	**1,224,049**	1,253,592
Customer E	**N/A#**	1,168,014
Customer F	**N/A#**	1,037,692
Customer G	**N/A#**	876,010
Customer H	**1,423,438**	N/A#

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

(d) *Geographical information*

The following table presents non-current assets by location of assets.

Non-current assets	**Macau SAR**	**The PRC**	**Total**
	HK$	*HK$*	*HK$*
As at 31 December 2022	**3,133,769**	**182,768**	**3,316,537**
As at 31 December 2021	2,780,112	143,507	2,923,619

The geographical location of customers is based on the location at which the services were provided or the goods were delivered.

6. OTHER INCOME, GAINS AND LOSSES

	2022 HK$	2021 HK$
Other income		
Government grant *(note)*	**602,524**	194,175
Bank interest income	**4,454**	607
COVID-19-related rent concessions *(note 10)*	**256,768**	800
Effective interest income on rental deposits	**7,402**	7,207
Gain on lease termination	**5,892**	–
Gain on disposal of property and equipment	**18,421**	–
Others	**33,082**	41,721
	928,543	244,510
Other gains and losses		
Net foreign exchange loss	**(44,459)**	(96,103)
	884,084	148,407

Note:

On 27 July 2022, the Macau SAR government enacted Administrative Regulation No.33/2022, among other things and grants a range of Macau Pataca ("**MOP**") 30,000 to MOP500,000 (equivalent to HK$29,126 to HK$485,437) (2021: MOP10,000 to MOP20,000 (equivalent to HK$9,709 to HK$194,175)) to eligible Macau business enterprises. The directors of the Company considered reasonably certain and recognised a government grant of HK$602,524 (2021: HK$194,175) during the year ended 31 December 2022.

7. IMPAIRMENT LOSSES UNDER ECL MODEL, NET OF REVERSAL

	2022 HK$	2021 HK$
Impairment losses recognised on trade receivables *(note 27.2)*	**5,034**	1,303

Details of impairment assessment of financial assets are set out in note 27.2.

8. FINANCE COSTS

	2022 HK$	2021 HK$
Interest on lease liabilities	**91,890**	85,620

9. INCOME TAX CREDIT

	2022 **HK$**	2021 HK$
Current tax		
Macau SAR Complementary Tax		
— Over provision in respect of prior years	**932,036**	–

Macau SAR

The Group is subject to Macau SAR Complementary Tax at a rate of 12% (2021: 12%) on the assessable profit. No provision for Macau SAR Complementary Tax has been made as the Group did not generate assessable profit arising in Macau SAR during the years ended 31 December 2022 and 2021.

The Group assessed the impact of the application of IFRIC 23 "Uncertainty over Income Tax Treatments" in relation to the inter-company management fee paid to Asia Pioneer Entertainment, Ltd. ("**APE BVI**") and expenses paid to foreign suppliers and services providers for which APE BVI and those foreign suppliers and services providers are neither Macau entities nor Macau tax residents which, in the opinion of management, are not probable that the tax authority will accept as deductible expenses. Hence, the tax effect of approximately HK$1,090,000 (2021: approximately HK$1,173,000) in respective of the possible non-deductible expenses has been included in the above reconciliation for the year ended 31 December 2022 based on the most likely amount.

During the year ended 31 December 2022, a reversal of HK$932,036 was made in respect of prior years' tax provision as the statute of limitation of has reached 5 years, which is the expiry of Macau tax authority's right to examine or re-examine a tax treatment.

As at 31 December 2022, the Group has not recognised deferred tax assets in respect of tax losses arising from Macau subsidiaries of approximately MOP30,815,928 (equivalent to approximately HK$29,918,377) (2021: approximately MOP20,725,255 (equivalent to approximately HK$20,121,607)), which may be carried forward for three years from the year of incurring the loss. No deferred tax asset has been recognised in respect of those tax losses due to the unpredictability of future profit streams.

Cayman Islands and the BVI

The Group is not subject to any income tax in the Cayman Islands and the BVI pursuant to the rules and regulations in those jurisdictions.

9. INCOME TAX CREDIT *(Continued)*

The PRC

Under the Law of the People's Republic of China 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 during the years ended 31 December 2022 and 2021.

As at 31 December 2022, the Group has not recognised deferred tax assets in respect of tax losses arising from a PRC subsidiary of approximately RMB337,816 (equivalent to approximately HK$373,893) (2021: RMB97,553 (equivalent to approximately HK$107,971)), which will expire within the next five years. No deferred tax asset has been recognised in respect of those tax losses due to the unpredictability of future profit streams.

The income tax credit for the year can be reconciled to the loss before income tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2022 **HK$**	2021 HK$
Loss before income tax	**(15,673,397)**	(23,076,762)
Tax credit at the income tax rate of 12%	**(1,880,808)**	(2,769,211)
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	**(34,973)**	(14,036)
Tax effect of income not taxable for tax purpose	**(103,908)**	(23,416)
Tax effect of expenses not deductible for tax purpose	**515,037**	1,241,847
Tax effect of unrecognised tax losses	**1,504,652**	1,564,816
Over provision in respect of prior years	**932,036**	–
Income tax credit for the year	**932,036**	–

10. LOSS FOR THE YEAR

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

	2022 ***HK$***	2021 *HK$*
Staff costs (including directors' emoluments *(note 11)*):		
— Salaries and allowances	**12,041,054**	13,454,622
— Retirement benefits scheme contributions *(note)*	**44,107**	43,214
	12,085,161	13,497,836
Lease charges:		
— Short term leases	**508,864**	311,064
— COVID-19-related rent concessions *(note 6)*	**(256,768)**	(800)
Total lease charges	**252,096**	310,264
Depreciation:		
— Property and equipment	**562,956**	1,047,991
— Right-of-use assets	**520,495**	1,300,725
Total depreciation	**1,083,451**	2,348,716
Auditor's remuneration	**890,000**	1,000,000
Research and development costs recognised as expenses (included in operating expenses)	**–**	78,350
Cost of inventories recognised as expenses	**5,219,819**	5,044,763
Write-down of inventories to net realisable value	**90,195**	3,260,093
Impairment loss on property and equipment	**–**	408,775
Impairment loss on right-of-use assets	**–**	1,666,542
(Gain)/loss on disposal of property and equipment	**(18,421)**	1,117
Gain on lease modification upon termination of leases	**(5,892)**	–
Write-off of other receivables	**–**	106,867

Notes: 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.

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

11.1 Directors' and chief executive's emoluments

Directors' and chief executive's emoluments, disclosed pursuant to the GEM Listing Rules, section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

		Other emoluments			
	Directors' fees *HK$*	Salaries, allowances and benefits in kinds *HK$*	Discretionary bonuses *HK$* *(note e)*	Retirement scheme contributions *HK$*	Total *HK$*
2022					
Executive directors					
Mr. Huie, Allen Tat Yan *(note a)*	**836,000**	**–**	**–**	**–**	**836,000**
Mr. Ng Man Ho Herman *(note b)*	**1**	**897,087**	**–**	**–**	**897,088**
Mr. Chan Chi Lun *(note c)*	**–**	**686,400**	**–**	**–**	**686,400**
Independent non-executive directors					
Mr. Choi Kwok Wai *(note d)*	**160,000**	**–**	**–**	**–**	**160,000**
Mr. Ho Kevin King Lun *(note d)*	**160,000**	**–**	**–**	**–**	**160,000**
Mr. Ma Chi Seng *(note d)*	**160,000**	**–**	**–**	**–**	**160,000**
	1,316,001	**1,583,487**	**–**	**–**	**2,899,488**
2021					
Executive directors					
Mr. Huie, Allen Tat Yan *(note a)*	1,082,000	–	–	–	1,082,000
Mr. Ng Man Ho Herman *(note b)*	1	1,160,583	–	–	1,160,584
Mr. Chan Chi Lun *(note c)*	–	901,800	–	–	901,800
Independent non-executive directors					
Mr. Choi Kwok Wai *(note d)*	160,000	–	–	–	160,000
Mr. Ho Kevin King Lun *(note d)*	160,000	–	–	–	160,000
Mr. Ma Chi Seng *(note d)*	160,000	–	–	–	160,000
	1,562,001	2,062,383	–	–	3,624,384

Notes:

(a) Mr. Huie Allen Tat Yan is an executive director and chairman of the Company. His emoluments disclosed above include those for services rendered by him as the chairman.

(b) Mr. Ng Man Ho Herman is an executive director and chief executive officer of the Company. His emoluments disclosed above include those for services rendered by him as the chief executive officer.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS *(Continued)*

11.1 Directors' and chief executive's emoluments *(Continued)*

Notes: (Continued)

(c) Mr. Chan Chi Lun is an executive director and chief financial officer of the Company. His emoluments disclosed above include those for services rendered by him as the chief financial officer.

(d) Mr. Choi Kwok Wai, Mr. Ho Kevin King Lun and Mr. Ma Chi Seng are independent non-executive directors of the Company. Their emoluments shown above were mainly for their services as directors of the Company.

(e) The discretionary bonus was determined by reference to the duties and responsibilities of respective directors and the Group's performance.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

11.2 Five highest paid individual's emoluments

The five highest paid individuals for the year ended 31 December 2022 included three (2021: three) directors, details of whose emoluments are set out in note 11.1 above. The aggregate emoluments of the remaining two (2021: two) individuals for the year ended 31 December 2022 were as follows:

	2022	2021
	HK$	*HK$*
Salaries and allowances	**1,460,054**	2,017,087
Retirement benefit scheme contributions	**553**	1,398
	1,460,607	2,018,485

The number of the highest paid individuals who are not the directors of the Company whose remuneration fell within the following band:

	Number of employees	
	2022	2021
Emolument band		
HK$1,000,001 to HK$1,500,000	**2**	2

During the years ended 31 December 2022 and 2021, no emolument was paid by the Group to the director or any of the five highest paid individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

12. DIVIDENDS

No dividend was paid or proposed during the year ended 31 December 2022, nor has any dividend been proposed since the end of the reporting period (2021: Nil).

13. LOSS PER SHARE

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

	2022	2021
	HK$	*HK$*
Loss		
Loss for the purpose of basic loss per share (loss for the year attributable to the owners of the Company)	**(14,741,361)**	(23,076,762)

	2022	2021
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	**1,000,000,000**	1,000,000,000

Diluted loss per share for the years ended 31 December 2022 and 2021 were the same as basic loss per share as there were no potential ordinary shares in existence during the years.

14. PROPERTY AND EQUIPMENT

	Leasehold improvements	Furniture, fixtures and equipment	Electrical equipment	Computers	Motor vehicles	Vending machines	Total
	HK$	HK$	HK$	HK$	HK$	HK$	HK$
As at 1 January 2021							
Cost	4,280,044	584,158	321,604	1,229,392	488,000	–	6,903,198
Accumulated depreciation	(3,800,679)	(363,865)	(256,085)	(947,308)	(410,000)	–	(5,777,937)
Net book amount	479,365	220,293	65,519	282,084	78,000	–	1,125,261
Year ended 31 December 2021							
Opening net book amount	479,365	220,293	65,519	282,084	78,000	–	1,125,261
Additions	–	–	33,440	239,497	–	1,858,399	2,131,336
Reclassification	–	–	(66,607)	–	–	66,607	–
Disposals	–	–	–	–	–	(30,148)	(30,148)
Depreciation	(479,365)	(92,930)	(25,161)	(224,340)	(78,000)	(148,195)	(1,047,991)
Impairment loss	–	(127,363)	(7,191)	(274,221)	–	–	(408,775)
Closing net book amount	–	–	–	23,020	–	1,746,663	1,769,683
As at 31 December 2021 and 1 January 2022							
Cost	4,280,044	584,158	287,875	1,468,889	488,000	1,893,834	9,002,800
Accumulated depreciation	(4,280,044)	(456,795)	(280,684)	(1,171,648)	(488,000)	(147,171)	(6,824,342)
Accumulated impairment loss	–	(127,363)	(7,191)	(274,221)	–	–	(408,775)
Net book amount	–	–	–	23,020	–	1,746,663	1,769,683
Year ended 31 December 2022							
Opening net book amount	**–**	**–**	**–**	**23,020**	**–**	**1,746,663**	**1,769,683**
Additions	**–**	**–**	**–**	**128,345**	**168,000**	**823,334**	**1,119,679**
Disposals	**–**	**–**	**–**	**–**	**–**	**(24,199)**	**(24,199)**
Depreciation	**–**	**–**	**–**	**(26,320)**	**(33,600)**	**(503,036)**	**(562,956)**
Closing net book amount	**–**	**–**	**–**	**125,045**	**134,400**	**2,042,762**	**2,302,207**
As at 31 December 2022							
Cost	**4,280,044**	**584,158**	**287,875**	**1,597,234**	**656,000**	**2,690,769**	**10,096,080**
Accumulated depreciation	**(4,280,044)**	**(456,795)**	**(280,684)**	**(1,197,968)**	**(521,600)**	**(648,007)**	**(7,385,098)**
Accumulated impairment loss	**–**	**(127,363)**	**(7,191)**	**(274,221)**	**–**	**–**	**(408,775)**
Net book amount	**–**	**–**	**–**	**125,045**	**134,400**	**2,042,762**	**2,302,207**

The above items of property and equipment, after taking into account the residual values, are depreciated on a straight-line basis at the following rates per annum:

Leasehold improvements	33.33% or over the lease term, whichever is shorter
Furniture, fixtures and equipment	20%
Electrical equipment	20% – 33.33%
Computers	25%
Motor vehicles	20%
Vending machines	20%

14. PROPERTY AND EQUIPMENT *(Continued)*

Impairment assessment

For impairment review, the Directors of the Group considered the situation, market development and future performance of the CGUs of the EGE Business and Smart VM Business.

The recoverable amounts of CGUs are determined using valuation method of income approach of discounted cash flows for value-in-use calculation. The calculations use cash flow projections based on cashflow forecasts covering a two-year period. Cash flows beyond the two-year period are extrapolated using the long-term growth rate. Key assumptions are as follows:

	As at 31 December 2022	As at 31 December 2021
EGE Business		
— Long-term growth rate	**3.0%**	3.0%
— pre-tax discount rate	**18.7%**	16.1%
Smart VM Business		
— Long-term growth rate	**3.0%**	3.0%
— pre-tax discount rate	**19.5%**	14.2%

As at 31 December 2022 and 2021, the long-term growth rates are determined with reference to forecast inflation rate of Macau. The pre-tax discount rates are derived and adjusted from the weighted average cost of capital ("WACC") of comparable companies.

The increase in discount rates as at 31 December 2022 compared to 31 December 2021 generally reflects the economy interest rate hike cycle which reflects higher risk-free rates in the WACC.

Based on the impairment review for EGE Business as at 31 December 2022, no further impairment loss or reversal have been recognised during the year ended 31 December 2022 (2021: HK$408,775 and HK$1,666,542 impairment loss has been recognised in respect of property and equipment and right-of-use assets respectively).

Based on the impairment review for Smart VM Business as at 31 December 2022, no impairment loss have been recognised during the year ended 31 December 2022 (2021: no impairment loss have been recognised).

15. RIGHT-OF-USE ASSETS

	Carrying amount		**Depreciation**	**Impairment loss**
	As at 31 December 2022	**As at 1 January 2022**	**For the year ended 31 December 2022**	**For the year ended 31 December 2022**
	HK$	***HK$***	***HK$***	***HK$***
Premises for vending machines	**790,290**	**752,055**	**520,495**	**–**
Office premises	**–**	**–**	**–**	**–**
Warehouses	**–**	**–**	**–**	**–**
Car parks	**–**	**–**	**–**	**–**
	790,290	**752,055**	**520,495**	**–**

	Carrying amount		Depreciation	Impairment loss
	As at 31 December 2021	As at 1 January 2021	For the year ended 31 December 2021	For the year ended 31 December 2021
	HK$	*HK$*	*HK$*	*HK$*
Premises for vending machines	752,055	–	68,165	–
Office premises	–	2,203,031	1,101,516	1,101,515
Warehouses	–	–	66,969	479,952
Car parks	–	21,807	64,075	85,075
	752,055	2,224,838	1,300,725	1,666,542

Please refer to note 14 for impairment assessment of right-of-use assets.

The Group has obtained the right to use leased premises for vending machines, office premises, warehouses and car parks for its operations through tenancy agreements. Lease contracts are entered into for fixed term of 1.25 to 5 years (2021: 1.25 to 5 years). Lease terms are negotiated on an individual basis and contain different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable. During the year ended 31 December 2022, additions to right-of-use assets are HK$934,084 (2021: HK$1,494,484, including the lease modification for car parks of HK$127,343) (note 28).

During the year ended 31 December 2022, the Group has terminated two lease agreements (2021: Nil) for use of leased premises for vending machines with a remaining lease term of 15 to 18 months.

Details of the lease maturity analysis of lease liabilities are set out in notes 21 and 27.2.

16. INVENTORIES

	2022 **HK$**	2021 HK$
Spare parts	**1,158,512**	2,569,587
Finished goods	**1,166,941**	752,642
Goods in transit	**81,737**	995,071
Merchandise	**210,519**	157,720
	2,617,709	4,475,020

During the year ended 31 December 2022, the Group made a provision of HK$90,195 (2021: HK$3,260,093) for inventory write-down, as it considered that the net realisable value of the inventories are lower than its cost.

17. TRADE AND OTHER RECEIVABLES

	2022 **HK$**	2021 HK$
Trade receivables on contracts with customers	**2,356,149**	685,366
Less: Allowances for ECL	**(43,857)**	(38,823)
	2,312,292	646,543
Amounts transferred from finance lease receivables upon derecognition	**22,988,870**	22,988,870
Less: Allowances for ECL	**(22,988,870)**	(22,988,870)
	–	–
Other receivables, prepayments and deposits		
— Purchase and trial products deposits to suppliers *(note)*	**3,474,925**	3,633,986
— Other prepayments and deposits	**531,820**	733,756
— Other receivables	**64,844**	56,068
— Rental deposits	**477,472**	386,100
	4,549,061	4,809,910
	6,861,353	5,456,453
Representing:		
— Current	**6,706,291**	5,346,518
— Non-current	**155,062**	109,935
	6,861,353	5,456,453

The Group allows an average credit period of 30 days to its trade customers throughout the year. Before accepting any new customer, the Group assesses the potential customer's credit quality. Credit limits attributed to customers and credit term granted to customers are reviewed regularly. Due dates of the trade receivables are determined based on the agreed payment dates as stipulated in the invoice.

17. TRADE AND OTHER RECEIVABLES *(Continued)*

Note: As at 31 December 2022, the Group has paid HK$3,474,925 (2021: HK$3,633,986) on purchase and trial products deposits. The Group co-operated with electronic gaming equipment manufacturers to provide trial period for casino operators to test the performance of new products before confirming the purchase. Under exclusive distribution agreement with manufacturers, the Group is required to pay in the range of 30% to 50% of the total purchase price as deposit for securing the purchase or trial of products. Such deposits are refundable and expected to be utilised for purchase within one year.

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

	2022	2021
	HK$	*HK$*
0 – 30 days	**2,143,142**	475,855
31 – 60 days	**111,222**	121,522
61 – 90 days	**31,726**	–
91 – 180 days	**–**	–
Over 180 days	**70,059**	87,989
	2,356,149	685,366

Details of impairment assessment of financial assets are set out in note 27.2.

18. FIXED BANK DEPOSIT

As at 31 December 2022, fixed bank deposit carries interest rate at 0.06% per annum (2021: 0.20% per annum) with the original maturity over 3 months.

Details of impairment assessment of financial assets are set out in note 27.2.

19. TRADE AND OTHER PAYABLES

	2022	2021
	HK$	*HK$*
Trade payables	**776,051**	344,311
Payroll payables and other accrued staff costs	**253,098**	546,161
Other payables and accrued expenses	**1,331,571**	1,612,320
Provision for restoration	**533,981**	533,981
	2,894,701	3,036,773

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19. TRADE AND OTHER PAYABLES *(Continued)*

The credit period on trade payables ranges from 30 to 60 days. The ageing 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:

	2022	2021
	HK$	*HK$*
0 – 30 days	**526,395**	128,087
31 – 60 days	**90,168**	97,603
61 – 90 days	**4,548**	37,841
Over 90 days	**154,940**	80,780
	776,051	344,311

20. CONTRACT LIABILITIES

	2022	2021
	HK$	*HK$*
Technical Sales and Distribution of Electronic Gaming Equipment	**56,094**	–

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

21. LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities:

	2022	2021
	HK$	*HK$*
Total minimum lease payments		
— Due within one year	**729,761**	1,837,841
— Due in the second to fifth years	**371,594**	632,089
	1,101,355	2,469,930
Future finance charges on lease liabilities	**(43,554)**	(82,601)
Present value of lease liabilities	**1,057,801**	2,387,329

	2022	2021
	HK$	*HK$*
Present value of minimum lease payments:		
— Due within one year	**696,200**	1,798,667
— Due in the second to fifth years	**361,601**	588,662
	1,057,801	2,387,329
Less: Portion due within one year included under current liabilities	**(696,200)**	(1,798,667)
Portion due after one year included under non-current liability	**361,601**	588,662

During the year ended 31 December 2022, the total cash outflows for the leases are HK$2,226,352 (2021: HK$1,596,111).

As at 31 December 2022, the Group entered into twelve (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 (2021: one to three years). The Group makes fixed payments during the contract periods. Two of the lease agreements (2021: two lease agreements) contains an option for further extending the lease period for additional one year by giving a one to three month notice to landlord before the end of the lease. The Group considered the option would be exercised at the lease commencement date.

22. SHARE OPTION SCHEME

The Group's share option scheme was conditionally adopted pursuant to a resolution passed on 25 October 2017 for the primary purpose of providing incentives to directors and eligible employees, and will expire on 24 October 2027. Under the scheme, the board of directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

The subscription price is set at highest of (a) the official closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities; (b) the average of the official closing prices of the Company's shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (c) the nominal value of a Company's share.

The aggregate number of shares which may be issued upon exercise of all options to be granted under the share option scheme, and other schemes offered by the Company, as from the date of adoption of the share option scheme, shall not exceed 10% of the shares in issue on the listing date. The overall limit on the number of shares which shall be issued upon exercise of all outstanding options granted and yet to be exercised under the share option scheme, and other schemes offered by the Company, shall not exceed 30% of the issued share capital of the Company from time to time. The total number of shares issued, and to be issued, upon exercise of options granted in accordance with the Share Option Scheme to the participant in any 12-month period shall not exceed 1% of the issued share capital of the Company.

As at 31 December 2022 and 2021, no option has been granted pursuant to the share option scheme.

23. SHARE CAPITAL

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

	2022		2021	
	Number of shares	**Nominal value**	Number of shares	Nominal value
		HK$		*HK$*
Authorised:				
Ordinary shares of HK$0.01 each				
As at 1 January and 31 December	**10,000,000,000**	**100,000,000**	10,000,000,000	100,000,000
Issued and fully paid:				
Ordinary shares of HK$0.01 each				
As at 1 January and 31 December	**1,000,000,000**	**10,000,000**	1,000,000,000	10,000,000

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24. LEASE COMMITMENTS

As lessee

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

	2022	2021
	HK$	*HK$*
Within one year	**1,216,817**	400,562

25. CAPITAL COMMITMENTS

	2022	2021
	HK$	*HK$*
Contracted but not provided for:		
— Property and equipment	**53,348**	101,825

26. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of cash and cash equivalents, fixed bank deposit and equity attributable to owners of the Company, comprising issued share capital and reserves including retained profits.

The directors of the Company review the capital structure from time to time. As a part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, the issue of new shares as well as the issue of new debt.

27. FINANCIAL INSTRUMENTS

27.1 Categories of financial assets and liabilities

The carrying amounts presented in the consolidated statement of financial position relate to the following categories of financial assets and financial liabilities:

	2022 ***HK$***	2021 *HK$*
Financial assets at amortised cost		
Rental deposits	**477,472**	386,100
Trade and other receivables	**2,468,612**	794,086
Fixed bank deposit	**40,384**	40,304
Bank balances and cash	**12,844,980**	29,874,470
	15,831,448	31,094,960
Financial liabilities at amortised cost		
Trade and other payables	**2,360,720**	2,502,792
Lease liabilities	**1,057,801**	2,387,329
	3,418,521	4,890,121

27.2 Financial risk management objectives and policies

The Group's major financial instruments include rental deposits, trade and other receivables, fixed bank deposit, bank balances and cash, trade and other payables and lease liabilities. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), liquidity risk and credit risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

Currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposures to currency risk arise from its sales and purchases, which are primarily denominated in HK$, MOP and Euro ("**EUR**"). They are not the functional currency of the group entities to which these transactions relate.

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FOR THE YEAR ENDED 31 DECEMBER 2022

27. FINANCIAL INSTRUMENTS *(Continued)*

27.2 Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

Currency risk (Continued)

Foreign currency denominated financial assets and liabilities, translated into HK$ at the closing rates, are as follows:

	HK$ *HK$*	MOP *HK$*	EUR *HK$*
2022			
Rental deposits	**186,000**	**267,347**	**–**
Trade and other receivables	**188,574**	**80,733**	**–**
Fixed bank deposit	**–**	**40,384**	**–**
Bank balances and cash	**9,019,874**	**537,189**	**20,795**
Trade and other payables	**(1,159,171)**	**(520,789)**	**(372,809)**
Lease liabilities	**(248,360)**	**(809,441)**	**–**
Net exposure arising from recognised assets and liabilities	**7,986,917**	**(404,577)**	**(352,014)**
2021			
Rental deposits	209,800	159,921	–
Trade and other receivables	304,932	84,589	–
Fixed bank deposit	–	40,304	–
Bank balances and cash	16,652,457	746,197	87,325
Trade and other payables	(632,717)	(1,567,065)	(64,393)
Lease liabilities	(1,700,014)	(687,315)	–
Net exposure arising from recognised assets and liabilities	14,834,458	(1,223,369)	22,932

27. FINANCIAL INSTRUMENTS *(Continued)*

27.2 Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

Currency risk (Continued)
The management considers that the Group is mainly exposed to the effects of fluctuation in EUR and not exposed to significant foreign currency risk in relation to transactions denominated in HK$ and US$ as MOP and US$ are pegged to HK$.

The following table illustrates the sensitivity of the Group's loss after income tax for the year and equity in regards to an appreciation in the group entities' functional currencies against EUR. These sensitivity rates are the rates used when reporting foreign currency risk internally to key management personnel and represents management's best assessment of the possible change in foreign exchange rates.

	Sensitivity rate	Decrease/ (Increase) in loss after income tax *HK$*	Increase/ (Decrease) in equity *HK$*
2022			
EUR	**5%**	**15,489**	**15,489**
2021			
EUR	5%	(1,009)	(1,009)

Interest rate risk
Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in the market interest rates. The Group's interest rate risk arises primarily from lease liabilities. The exposure to interest rates for the Group's short-term bank deposits is considered immaterial.

Credit risk and impairment assessment
Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to rental deposits, trade and other receivables, fixed bank deposit and bank balances.

The Group performed impairment assessment for financial assets and other items under ECL model. Information about the Group's credit risk management, maximum credit risk exposures and the related impairment assessment, if applicable, are summarised as below:

27. FINANCIAL INSTRUMENTS *(Continued)*

27.2 Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

Trade receivables
As at 31 December 2022, the Group has concentration of credit risk as 54.3% (2021: 32.1%) and 90.3% (2021: 92.8%) of the total of trade receivables was due from the Group's largest debtor and the five largest debtors respectively where the balances are mainly generated from sales of electronic gaming machines and equipment. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed twice a year. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts.

In addition, the Group performs impairment assessment under ECL model on trade receivables balances based on provision matrix. In this regard, the directors of the Company considered that the Group's credit risk is significantly reduced.

Rental deposits/other receivables/fixed bank deposit/bank balances
For other financial assets at amortised cost mainly comprise of rental deposits, other receivables, fixed bank deposit and bank balances are measured on 12-month ECL basis as there had been no significant increase in credit risk since initial recognition.

For fixed bank deposit and bank balances, such amounts are placed in banks in Macau SAR and Hong Kong Special Administrative Region having good reputation. The directors of the Company assessed the risk of default negligible.

For rental deposits and other receivables, the directors of the Company considered the historical experience and forward-looking information and assessed the risk of default as low, thus, no impairment allowance is made during the year.

27. FINANCIAL INSTRUMENTS *(Continued)*

27.2 Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets
Very low risk	The counterparty has a very low risk of default and does not have any past-due amounts	Lifetime ECL — not credit-impaired	12-month ECL
Low risk	Debtor frequently repays after due dates but usually settle in full	Lifetime ECL — not credit-impaired	12-month ECL
High risk	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL — not credit-impaired	Lifetime ECL — not credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

27. FINANCIAL INSTRUMENTS *(Continued)*

27.2 Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

	Notes	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amount 2022 HK$	2021 HK$
Rental deposits	*(a)*	N/A	Low risk	12-month ECL	**477,472**	386,100
Amounts transferred from finance lease receivables upon derecognition	*(b)*	N/A	Loss	Lifetime ECL (provision matrix)	**22,988,870**	22,988,870
Trade receivables	*(b)*	N/A	Very low risk	Lifetime ECL (provision matrix)	**461,090**	136,207
			Low risk		**1,825,000**	461,170
			High risk		**37,229**	55,159
			Loss		**32,830**	32,830
Other receivables and deposits	*(a)*	N/A	N/A	12-month ECL	**156,320**	147,543
Fixed bank deposit		AA+	N/A	12-month ECL	**40,384**	40,304
Bank balances		AA+	N/A	12-month ECL	**12,844,980**	29,874,470

27. FINANCIAL INSTRUMENTS *(Continued)*

27.2 Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

Notes:

(a) For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition.

	Past due *HK$*	Not past due *HK$*	Total *HK$*
2022			
Rental deposits	**–**	**477,472**	**477,472**
Other receivables and deposits	**–**	**156,320**	**156,320**
	–	**633,792**	**633,792**
2021			
Rental deposits	–	386,100	386,100
Other receivables and deposits	–	147,543	147,543
	–	533,643	533,643

(b) For trade receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL on these items by using a provision matrix, grouped by internal credit rating.

27. FINANCIAL INSTRUMENTS *(Continued)*

27.2 Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

Provision matrix — internal credit rating

As part of the Group's credit risk management, the Group applies internal credit rating for its customers. The following table provides information about the exposure to credit risk for trade receivables which are assessed based on provision matrix at the end of the reporting period within lifetime ECL.

	Average loss rate	Amounts transferred from finance lease receivables upon derecognition *HK$*	Trade receivables *HK$*
2022			
Very low risk	**0.01%**	**–**	**461,090**
Low risk	**0.1% – 0.5%**	**–**	**1,825,000**
High risk	**10.0%**	**–**	**37,229**
Loss	**100.0%**	**22,988,870**	**32,830**
		22,988,870	**2,356,149**
2021			
Very low risk	0.01%	–	136,207
Low risk	0.1% – 0.5%	–	461,170
High risk	10.0%	–	55,159
Loss	100.0%	22,988,870	32,830
		22,988,870	685,366

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

27. FINANCIAL INSTRUMENTS *(Continued)*

27.2 Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

Provision matrix — internal credit rating (Continued)
Movement in the allowance for credit loss:

	Amounts transferred from finance lease receivables upon derecognition *HK$*	Trade receivables *HK$*	Total *HK$*
As at 1 January 2021	22,988,870	37,520	23,026,390
Impairment losses under ECL model, net of reversal *(note 7)*	–	1,303	1,303
As at 31 December 2021 and 1 January 2022	22,988,870	38,823	23,027,693
Impairment losses under ECL model, net of reversal *(note 7)*	–	5,034	5,034
As at 31 December 2022	**22,988,870**	**43,857**	**23,032,727**

As at 31 December 2022, the Group has ECL allowance of HK$22,988,870 and HK$43,857 (2021: HK$22,988,870 and HK$38,823) for credit loss for the amount transferred from finance lease receivables upon derecognition and trade receivables respectively, based on the provision matrix.

27. FINANCIAL INSTRUMENTS *(Continued)*

27.2 Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

Liquidity risk
In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Weighted average effective interest rate	Within 1 year or on demand	1 year to 5 years	Total undiscounted cash flows	Carrying amounts
	%	*HK$*	*HK$*	*HK$*	*HK$*
2022					
Trade and other payables	**–**	**2,360,720**	**–**	**2,360,720**	**2,360,720**
Lease liabilities	**5.07%**	**729,761**	**371,594**	**1,101,355**	**1,057,801**
		3,090,481	**371,594**	**3,462,075**	**3,418,521**
2021					
Trade and other payables	–	2,502,792	–	2,502,792	2,502,792
Lease liabilities	4.70%	1,837,841	632,089	2,469,930	2,387,329
		4,340,633	632,089	4,972,722	4,890,121

27.3 Fair value measurements of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 "Share-based Payment", leasing transactions that are accounted for in accordance with IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 "Inventories" or value in use in IAS 36 "Impairment of Assets".

27. FINANCIAL INSTRUMENTS *(Continued)*

27.3 Fair value measurements of financial instruments *(Continued)*

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly, and not using significant unobservable inputs; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The fair values of the financial assets and financial liabilities have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis.

The management considers that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

28. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	2022 ***HK$***	2021 *HK$*
Lease liabilities		
As at 1 January	**2,387,329**	2,093,072
Cash flows:		
Capital element of lease rentals paid	**(1,625,598)**	(1,199,427)
Interest element of lease rentals paid	**(91,890)**	(85,620)
Total changes from financing cash flows	**(1,717,488)**	(1,285,047)
Non-cash:		
COVID-19-related rent concessions *(note 6)*	**(256,768)**	(800)
Entering into new leases	**934,084**	1,367,141
Lease modification	**(381,246)**	127,343
Interest expenses *(note 8)*	**91,890**	85,620
Total other changes	**387,960**	1,579,304
As at 31 December	**1,057,801**	2,387,329

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29. RELATED PARTY DISCLOSURE

Compensation of key management personnel

The directors of the Company are identified as key management members of the Group, and their compensation during the year is set out in note 11.1. During the year ended 31 December 2022, the total compensation of other key management members who are not directors of the Company is HK$1,931,899 (2021: HK$2,534,719).

30. PARTICULARS OF SUBSIDIARIES

Details of the Company's subsidiaries at the end of reporting period are set as follows:

Name of subsidiaries	Place of incorporation/ establishment	Principal place of operation	Issued and fully paid capital/ registered capital	Shareholding/equity interest attributable to the Company 2022	2021	Principal activities
Directly held:						
Asia Pioneer Entertainment, Ltd. ("**APE BVI**")	British Virgin Islands	British Virgin Islands	US$75,000	**100%**	100%	Investment holding
APE Special 1 Limited	British Virgin Islands	British Virgin Islands	US$1	**100%**	100%	Investment holding
APE Special 2 Limited	British Virgin Islands	British Virgin Islands	US$1	**100%**	100%	Investment holding
Indirectly held:						
Asia Pioneer Entertainment Limited	Macau SAR	Macau SAR	MOP1,000,000	**100%**	100%	Technical sales and distribution, consultancy and repair services of gaming machines
APE Smart Commence Limited	Macau SAR	Macau SAR	MOP1,000,000	**100%**	100%	Sales of various Macau sourced products through smart vending machines
Xianfeng Zhitesco E-Commerce (Zhuhai Hengqin) Co., Ltd. 先鋒智易購電子商務（珠海橫琴）有限公司	The PRC	The PRC	RMB1,000,000	**100%**	100%	Sales of various Macau sources products through smart vending machines
APE Digital Creations Limited	Hong Kong	Hong Kong	HK$10,000	**100%**	–	Dormant

None of the subsidiaries had issued any debt securities at the end of the reporting period.

31. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2022 HK$	2021 HK$
ASSETS AND LIABILITIES		
Non-current assets		
Investments in subsidiaries	**6,553,653**	6,553,653
Current assets		
Prepayments	**222,685**	336,513
Amount due from a subsidiary	**4,923,353**	–
Bank balances	**7,303,252**	15,302,429
	12,449,290	15,638,942
Current liabilities		
Other payables	**257,938**	492,063
Amounts due to subsidiaries	**15,156,398**	15,156,398
	15,414,336	15,648,461
Net current liabilities	**(2,965,046)**	(9,519)
Net assets	**3,588,607**	6,544,134
EQUITY		
Share capital	**10,000,000**	10,000,000
Reserves	**(6,411,393)**	(3,455,866)
	3,588,607	6,544,134

Approved and authorised for issue by the board of directors on 27 March 2023 and are signed on its behalf by:

Mr. Huie, Allen Tat Yan
Director

Mr. Ng Man Ho Herman
Director

31. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

(Continued)

Movement in the Company's reserves is as follows:

	Share premium *HK$*	Accumulated losses *HK$*	Total *HK$*
As at 1 January 2021	55,098,836	(58,279,184)	(3,180,348)
Loss and total comprehensive expense for the year	–	(275,518)	(275,518)
As at 31 December 2021 and 1 January 2022	55,098,836	(58,554,702)	(3,455,866)
Loss and total comprehensive expense for the year	–	(2,955,527)	(2,955,527)
As at 31 December 2022	**55,098,836**	**(61,510,229)**	**(6,411,393)**