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 2017

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE

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

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

FINANCIAL HIGHLIGHTS

- The Company and its subsidiaries (collectively, the "**Group**") achieved an increase in revenue of 63.7% to approximately HK$86.1 million for the year ended 31 December 2017 ("**FY2017**") from approximately HK$52.6 million for the year ended 31 December 2016 ("**FY2016**").

- In line with the increase in revenue, the Group's gross profit increased by 49.9% to approximately HK$34.8 million in FY2017 from approximately HK$23.2 million in FY2016.

- The Group's profit and total comprehensive income decreased by 53.0% to approximately HK$4.5 million in FY2017 from approximately HK$9.6 million in FY2016 due to listing expenses of approximately HK$14.2 million in FY2017.

- Earnings per share attributable to the shareholders of the Company (the "**Shareholders**") was approximately HK$0.006 for FY2017 (FY2016: approximately HK$0.013).

- As of 31 December 2017, the Group's cash and cash equivalents amounted to approximately HK$66.8 million (31 December 2016: approximately HK$15.7 million).

The board of Directors (the "**Board**") announces the audited consolidated annual results of the Group for FY2017 together with the comparative figures of FY2016. The information should be read in conjunction with the prospectus of the Company dated 31 October 2017 (the "**Prospectus**"). Capitalised terms used in this announcement shall have the same respective meanings as those defined in the Prospectus unless otherwise stated.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	**2017** ***HK$***	2016 *HK$*
Revenue	*3*	**86,063,958**	52,576,234
Cost of sales and services		**(51,233,577)**	(29,347,887)
Gross profit		**34,830,381**	23,228,347
Other income, gains and losses	*4*	**498,652**	901,770
Operating expenses		**(14,003,857)**	(8,339,545)
Listing expenses		**(14,202,195)**	(4,331,870)
Profit before tax		**7,122,981**	11,458,702
Income tax expense	*5*	**(2,630,695)**	(1,896,421)
Profit and total comprehensive income for the year	*6*	**4,492,286**	9,562,281
Earnings per share			
Basic	*8*	**0.006**	0.013

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2017

	Notes	2017 HK$	2016 HK$
NON-CURRENT ASSETS			
Property and equipment		**619,190**	385,593
Deposit for property and equipment		**1,553,398**	320,000
Rental deposit		**180,000**	–
		2,352,588	705,593
CURRENT ASSETS			
Inventories		**1,457,065**	284,554
Trade and other receivables	*9*	**21,977,263**	11,245,002
Fixed bank deposit		**40,077**	39,640
Bank balances and cash		**66,751,020**	15,710,607
		90,225,425	27,279,803
CURRENT LIABILITIES			
Trade and other payables	*10*	**18,548,164**	10,486,436
Amounts due to shareholders	*11*	**–**	26,179
Amounts due to related parties	*12*	**–**	1,660,117
Tax payable		**3,562,732**	1,883,016
		22,110,896	14,055,748
NET CURRENT ASSETS		**68,114,529**	13,224,055
NET ASSETS		**70,467,117**	13,929,648
CAPITAL AND RESERVES			
Share capital	*13*	**10,000,000**	–
Reserves		**60,467,117**	13,929,648
		70,467,117	13,929,648

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

1. GENERAL

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 PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1–1108, Cayman Islands. The principal place of business of the Company in Macau SAR is located at Avenida da Amizade No. 1023, Edificio Nam Fong, 1 andar(AA), Macau. The issued shares of the Company have been listed on GEM since 15 November 2017 (the "**Listing Date**").

APE HAT Holdings Limited ("APE HAT"), a company incorporated in the British Virgin Islands (the "**BVI**"), is the immediate holding company of the Company, and, in the opinion of the Directors, is also the ultimate holding company of the Company.

The Company is an investment holding company and its subsidiaries are principally engaged in (1) 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"); (2) the provision of consulting 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"); (3) the provision of repair services to casino operators ("Repair Services") and (4) sales of refurbished electronic gaming machines.

Prior to the incorporation of the Company and the completion of the reorganisation, the main operating activities of the Group were carried out by Asia Pioneer Entertainment Limited ("**APE Macau**"), a 99.8% owned subsidiary of Asia Pioneer Entertainment, Ltd. ("**APE BVI**"), which is under the control of Mr. Huie, Allen Tat Yan ("**Mr. Huie**"), Mr. Ng, Man Ho Herman ("**Mr. Ng**") and Mr. Chan Chi Lun ("**Mr. Chan**") (together referred to as the "**Controlling Equity Holders**"). Mr. Huie, Mr. Ng and Mr. Chan have 38.33%, 38.33% and 20% beneficial interests in APE BVI, respectively. Each of Mr. Huie and Mr. Ng also held 10 shares in APE Macau, representing 0.1% beneficial interest in APE Macau. On 10 March 2017, the Controlling Equity Holders executed an acting in concert confirmation whereby they confirmed the existence of their acting in concert arrangements in the past, present and future to collectively control over the Group's business.

Pursuant to the reorganisation, the Company became the holding company of the companies now comprising the Group on 14 March 2017. Since the Controlling Equity Holders control all the companies now comprising the Group before and after the reorganisation, the Group comprising the Company and its subsidiaries is regarded as a continuing entity. The consolidated financial statements have been prepared on the basis as if the Company has always been the holding company of the Group using the principle of merger accounting.

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 REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

The Group has consistently applied all IFRSs issued by the International Accounting Standard Board ("IASB"), which are effective for the Group's financial year beginning 1 January 2017.

New and revised IFRSs in issue but not yet effective

The Group has not early applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 9	Financial Instruments[1]
IFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
IFRS 16	Leases[2]
IFRS 17	Insurance Contracts[4]
IFRIC 22	Foreign Currency Transactions and Advance Consideration[1]
IFRIC 23	Uncertainty over Income Tax Treatments[2]
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts[1]
Amendments to IFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement[2]
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to IAS 28	As part of the Annual Improvements to IFRS Standards 2014–2016 Cycle[1]
Amendments to IAS 40	Transfers of Investment Property[1]
Amendments to IFRSs	Annual Improvements to IFRS Standards 2015–2017 Cycle[2]

[1] Effective for annual periods beginning on or after 1 January 2018
[2] Effective for annual periods beginning on or after 1 January 2019
[3] Effective for annual periods beginning on or after a date to be determined
[4] Effective for annual periods beginning on or after 1 January 2021

IFRS 15 ***Revenue from Contracts with Customers***

IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

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

Under IFRS 15, an entity 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. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

In 2016, the IASB issued Clarifications to IFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of IFRS 15 in the future may result in more disclosures, however, the directors of the Company do not anticipate that the application of IFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

IFRS 16 *Leases*

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede IAS 17 *Leases* and the related interpretations when it becomes effective.

IFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, operating lease payments are presented as operating cash flows. Upon application of HKFRS16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

As at 31 December 2017, the Group has non-cancellable operating lease commitments of HK$5,386,793. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of IFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid of HK$180,000 as rights and obligations under leases to which IAS 17 applies. Based on the definition of lease payments under IFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use assets. Adjustments to refundable rental deposits received would be considered as advance lease payments.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

Except as described above, the directors of the Company do not anticipate that the application of other new and amendments to IFRSs and interpretations will have material impact on the Group's consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

The Group is engaged in (1) Technical Sales and Distribution of Electronic Gaming Equipment; (2) Consultancy and Technical Services; (3) Repair Services and (4) sales of refurbished electronic gaming machines.

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

Revenue from major products and services

	2017	2016
	HK$	*HK$*
Technical Sales and Distribution of Electronic Gaming Equipment	**72,785,924**	41,842,696
Consulting and Technical Services	**6,761,257**	8,644,766
Repair Services	**2,164,594**	2,088,772
Sales of refurbished electronic gaming machines	**4,352,183**	–
	86,063,958	52,576,234

Information about major customers

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

	2017	2016
	HK$	*HK$*
Customer A	**N/A#**	12,645,066
Customer B	**13,173,145**	11,469,070
Customer C	**24,347,480**	10,870,445
Customer D	**N/A#**	7,106,570
Customer E	**18,880,803**	N/A#

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

Geographical information

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

	2017	2016
	HK$	*HK$*
Macau SAR	**79,311,118**	52,576,234
Malaysia	**6,752,840**	–
	86,063,958	52,576,234

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

4. OTHER INCOME, GAINS AND LOSSES

	2017	2016
	HK$	*HK$*
Administrative fee received from a related party	**–**	87,379
Bank interest income	**89,089**	1,178
Commission income	**87,317**	–
Gain on disposal of property and equipment	**–**	1,942
Net foreign exchange loss	**(55,234)**	(379,926)
Service handling income	**286,274**	1,081,664
Others	**91,206**	109,533
	498,652	901,770

5. INCOME TAX EXPENSE

	2017	2016
	HK$	*HK$*
Current tax:		
Macau SAR Complementary Tax	**2,630,695**	1,883,016
Underprovision in prior years	**–**	13,405
	2,630,695	1,896,421

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

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

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

	2017	2016
	HK$	*HK$*
Profit before tax	**7,122,981**	11,458,702
Tax at the income tax rate of 12%	**854,758**	1,375,044
Effect of income that is not taxable in determining taxable profits	**(69,903)**	(69,903)
Tax effect of expenses not deductible for tax purpose	**1,845,840**	577,875
Underprovision in prior years	**–**	13,405
Income tax expense for the year	**2,630,695**	1,896,421

6. PROFIT FOR THE YEAR

	2017 HK$	2016 HK$
Profit for the year has been arrived at after charging:		
Directors' remuneration	**1,650,020**	809,115
Other staff costs		
— salaries and allowances	**7,996,410**	5,472,484
— retirement benefits scheme contributions	**28,417**	18,379
	9,674,847	6,299,978
Auditor's remuneration	**990,000**	253,000
Depreciation of property and equipment	**217,795**	143,987
Write-off of inventories	**–**	88,306
Cost of inventories recognised as an expense	**45,281,064**	24,586,527
Minimum lease payment in respect of rental premises	**817,156**	472,544

7. DIVIDENDS

During the year ended 31 December 2017, interim dividend of an aggregate amount of HK$6,500,000 (2016: HK$12,495,146) have been declared and paid by APE BVI to its shareholders. No dividend has been proposed since the end of the reporting period.

8. EARNINGS PER SHARE

The Company was listed on GEM of the Stock Exchange on 15 November 2017 by way of share offer of 250,000,000 new shares and capitalisations of 749,997,500 shares, resulting in 1,000,000,000 ordinary shares in issue. The calculation of the basic earnings per share for each of the years ended 31 December 2016 and 2017 is based on the following data:

	2017 HK$	2016 HK$
Earnings		
Earnings for the purpose of calculating basic earnings per share (profit for the year attributable to the owners of the Company)	**4,492,286**	9,562,281

	2017 '000	2016 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**782,192**	750,000

The number of ordinary shares for the purpose of calculating basic earnings per share has been retrospectively adjusted for the capitalisation issue of the shares of the Company completed on 15 November 2017 and assuming that the reorganisation had been effective on 1 January 2016.

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

9. TRADE AND OTHER RECEIVABLES

	2017	2016
	HK$	*HK$*
Trade receivables	**18,104,896**	7,523,472
Purchase and trial products deposits	**3,183,188**	1,127,076
Prepayment and deposits	**628,012**	187,606
Other receivables	**61,167**	926,898
Prepaid listing expenses	**–**	1,479,950
	21,977,263	11,245,002

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

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

	2017	2016
	HK$	*HK$*
0–30 days	**16,865,804**	3,090,439
31–60 days	**433,931**	1,687,798
61–90 days	**5,088**	2,743,949
Over 90 days *(Note)*	**800,073**	1,286
	18,104,896	7,523,472

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

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.

The management of the Group closely monitors the credit quality of trade receivables and considers the debts that are neither past due nor impaired to be of good credit quality. Receivables that were neither past due nor impaired related to customers for whom there was no history of defaulting on repayments.

Included in the Group's trade receivables balance are debtors as at 31 December 2017 with an aggregate carrying amount of HK$615,403 (2016: HK$4,433,033) which are past due at the end of the reporting period, for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and amounts are still considered recoverable based on historical experience. The Group does not hold any collateral over these balances.

Aging of trade receivables which are past due but not impaired:

Overdue by	2017	2016
	HK$	*HK$*
Within 30 days	**589,853**	900,922
31–60 days	**5,088**	3,530,825
61–90 days	**–**	1,286
Over 90 days	**20,462**	–
	615,403	4,433,033

10. TRADE AND OTHER PAYABLES

	2017	2016
	HK$	*HK$*
Trade payables	**13,416,801**	7,873,294
Receipts in advance	**–**	1,500,248
Payables for listing expenses	**807,806**	750,749
Accrued staff costs	**2,608,589**	–
Other payables and accrued expenses	**1,714,968**	362,145
	18,548,164	10,486,436

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

	2017	2016
	HK$	*HK$*
0–30 days	**9,893,195**	1,174,225
31–90 days	**1,141,113**	3,858,096
Over 90 days	**2,382,493**	2,840,973
	13,416,801	7,873,294

11. AMOUNTS DUE TO SHAREHOLDERS

As at 31 December 2016, amounts due to shareholders represented the outstanding dividend due to shareholders with carrying amount of HK$26,179. All the balances are non-trade, unsecured, non-interest bearing and repayable on demand.

Details of the amounts due to shareholders are as follows:

	2017	2016
	HK$	*HK$*
Mr. Ng	–	25,208
Mr. Huie	–	971
	–	26,179

12. AMOUNTS DUE TO RELATED PARTIES

As at 31 December 2016, amounts due to related parties represents the payable to Tai Pong Fat Construction and Investment Company ("**Tai Pong Fat**") and Kuawai Technology Limited ("**Kuawai**"), respectively. The amounts are unsecured, non-interest bearing and repayable within 30 days.

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

	Relationship	**2017**	**2016**
		HK$	*HK$*
Tai Pong Fat *(Note a)*	Mr. Ng, one of the Controlling Entity Holders, has significant influence over Tai Pong Fat	–	8,544
Kuawai *(Note b)*	Kuawai is an entity owned by two relatives of a key management personnel of APE Macau	–	1,651,573
		–	1,660,117

Notes:

(a) Amount represents the payable for rental and other expenses.

(b) Amount represents the trade payable for repair services and purchase of spare parts.

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

	2017	2016
	HK$	*HK$*
0–30 days	–	159,478
31–90 days	–	41,496
Over 90 days	–	1,450,599
	–	1,651,573

13. SHARE CAPITAL

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

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

Notes:

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group is a total solutions provider of electronic gaming equipment ("**EGE**") for land based casinos in Macau SAR as well as other regions in Asia. EGE principally includes electronic table games ("**ETGs**") and electronic gaming machines ("**EGMs**" or "**Slot Machines**"). The Group's business can be segmented into: (i) technical sales and distribution of EGEs to land based casinos; (ii) the repair and sale of EGEs plus spare parts; (iii) consultancy to suppliers or manufacturers of EGE products to the casino gaming supplier market; and (iv) sales of refurbished EGMs.

The Group's business is conducted through its wholly-owned subsidiaries, namely APE Macau. APE Macau is the operating company of the Group which operates the core businesses in Macau SAR. For FY2017, APE Macau represented all of the revenue of the Group.

Industry Review

The overall Macau SAR gaming market has rebounded in 2017 seeing its first growth in Gross Gaming Revenue ("**GGR**") in 3 years. GGR jumped by 19.1% to MOP264.7 billion (USD33.0 billion) in 2017[1] on a year-on-year basis. Mass-market gaming, including play from Slot Machines and ETG, was MOP31.7 billion in the last quarter of 2017, a rise of 17.1% from MOP27.1 billion year-on-year from the fourth quarter of 2016. The overall gaming equipment markets in Macau SAR expanded in 2017 due primarily to the openings of two major casinos, namely the Wynn Palace in Coati strip and Legend Palace in Fisherman's wharf.

Prospects

Looking ahead, the management believes that the Group's prospect will continue to ride on the rebound of Macau SAR's GGR as well as the growth of the mass-market gaming. In 2018, there will be the opening of two new major casinos, namely MGM Cotai as well as Grand Lisboa Palace Cotai, creating a favourable backdrop for the Group's sale and distribution business in Macau SAR.

For the year ahead, the Group will continue to implement its business plan and use of proceeds as outlined in the Prospectus. We have already concluded the sale of our first batch of refurbished EGMs, a batch of 319 used slots which we purchased and refurbished in Macau SAR and resold. The management is also actively pursuing leasing agreements with Macau SAR operators, and will continue to pursue distribution opportunities in Asia outside of Macau SAR.

1 Source http://www.ggrasia.com/macau-casino-ggr-posts-19pct-growth-in-full-2017-govt/

In our consulting services business, the Group has signed an agreement with a company to be their official repair centre for Asia Pacific region. This Company is a major supplier of ticket printers in the gaming sector.

In the second quarter of 2018, the Group is expected to relocate to a new 18,000 sq.ft. premise which is an integrated office with workshop and warehouse. We believe that the expanded facility will allow us to capture a greater market share and enhance our reputation as a total solutions provider of EGEs in Macau SAR.

Financial Results

Revenue

For FY2017, the group's revenue increased by 63.7% to approximately HK$86.1 million from approximately HK$52.6 million in FY2016. Gross profit increased by 49.9% to approximately HK$34.8 million in FY2017 from approximately HK$23.2 million in FY2016.

The improvement in revenue and gross profit performance were principally attributed to the opening of new casino in Macau SAR in 2017, which created a strong demand for our products and led to an increase in revenue of the technical sales and distribution segment of 74.0% year-on-year in FY2017.

Operating Expenses

The Group's operating expenses increased by 67.9% to approximately HK$14.0 million in FY2017 from approximately HK$8.3 million in FY2016. This increase was principally attributable to an increase of the headcount in our Macau SAR office and the signing of a lease agreement for new office and integrated workshop in the fourth quarter of 2017.

Net Profit

Net profit before tax fell by 37.8% to approximately HK$7.1 million in FY2017 from approximately HK$11.5 million in FY2016 mainly due to the incurrence of listing expenses of approximately HK$14.2 million.

Excluding listing expenses, the Group's profit after tax increased by 34.5% from approximately HK$13.9 million in FY2016 to approximately HK$18.7 million in FY2017. For FY2017, the net profit attributable to the Shareholders was approximately HK$4.5 million after taking into account listing expenses and income tax expense (FY2016: approximately HK$9.6 million).

Use of Proceeds from the Listing

The net proceeds from the Listing ("Net Proceeds") received by the Company after deducting underwriting fees and the estimated expenses was approximately HK$40 million. Unutilised Net Proceeds as at 31 December 2017 amounted to approximately HK$37.4 million, is deposited in a licensed bank in Hong Kong. The Company intends to use the remaining Net Proceeds in the coming years in accordance with the purposes set out in the Prospectus.

As at 31 December 2017, the Group has utilised the Net Proceeds as follows:

	Percentage to total amount	Net proceeds *HK$ million*	Utilised amount *HK$ million*	Unutilised amount *HK$ million*
Upfront deposits for manufacturers to provide more trial products	41.5%	16.6	–	16.6
Procuring Electronic Gaming Equipment for lease to casino operators in Macau	17.8%	7.1	–	7.1
Procuring and refurbishment of used Electronic Gaming Equipment for resales	13.2%	5.3	2.3	3.0
Enhancing market recognition in Macau and South East Asia and strengthening in-house capability to provide repair services	17.3%	6.9	–	6.9
Relocation of office premises	0.7%	0.3	–	0.3
Purchase of tools and equipment and new ERP system	6.8%	2.7	–	2.7
General working capital	2.7%	1.1	0.3	0.8
	100%	40.0	2.6	37.4

Comparison of Business Objectives with Actual Business Progress

Business Objectives up to 31 December 2017	Actual Business Progress
— Commencement of refurbishment business	— Completed first refurbishment sale business of 319 used EGMs.
	— Hired repair team to work on refurbishment sales.
	— Trained sales team to look for used machine opportunities.
— Commencement of leasing business	— Trained sales team to explore leasing opportunities.
— Expansion into South East Asia	— Hired senior sales persons to focus on South East Asia.
— Office relocation and facility enhancement	— Signed a long term lease agreement for integrated office with workshop and warehouse totalling 18,000 sq. ft.

Liquidity, Financial Resources, Gearing Ratio and Capital Structure

During FY2017, the Group financed its operations by its internal resources. As at 31 December 2017, the Group had net current assets of approximately HK$68.1 million versus approximately HK$13.2 million as at 31 December 2016. The increase in net assets can be mainly attributed to public offer and placing in November 2017, which raised net cash of approximately HK$40 million.

As at 31 December 2017, the Group had no bank borrowings, bank overdrafts, bank loans and nor other banking facility. Gearing ratio (which is calculated by dividing total debt by total equity) was not applicable to the Group as at 31 December 2017. The issued Shares were listed on GEM of the Stock Exchange on 15 November 2017 by way of a placing and public offer totalling 250,000,000 new Shares at HK$ 0.28 each. There has been no change in the capital structure of the Company since the Listing Date.

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

Future Plans for Material Investments or Capital Assets

Save as disclosed in the sections headed "statement of business objectives and use of proceeds" in the Prospectus and "Use of Proceeds", respectively in the Prospectus, the Group did not have any other plans for material investment or capital assets as at 31 December 2017.

Significant Investments or Material Acquisitions and Disposals

The Group did not make any significant investment or material acquisition and disposal during FY2017.

Contingent Liabilities

As at 31 December 2016 and 2017, the Group did not have any material contingent liabilities.

Employees and Remuneration Policy

As at 31 December 2017, the Group had a total of 36 employees (31 December 2016: 29). For FY2017, the Group incurred staff costs, including directors' remuneration of approximately HK$9.7 million (2016: approximately HK$6.3 million).

The Company has adopted a share option scheme on 25 October 2017 for the purpose of recognising and acknowledging the contribution of employees.

Capital Commitments

During the fourth quarter of 2017, the Group signed a lease agreement for new premise in Macau SAR with 18,000 sq.ft. for integrated office with workshop and warehouse. As at 31 December 2017, capital commitment was approximately HK$4.1 million in renovation and furnishings with a monthly rental of approximately HK$90,000.

Charges on Group Assets

As at 31 December 2017, the Group had no charges on the Group's assets (31 December 2016: nil).

Treasury Policies

The Directors will continue to follow a prudent policy in managing the Group's cash balances and maintain a strong and healthy liquidity to ensure that the Group is well-placed to take advantage of future growth opportunities. As at 31 December 2017, all cash on hand was held with licensed financial institutions.

Customer and Supplier Relationship

The Group's major customers are mostly Macau casino operators listed on the Stock Exchange. The Group is committed to build 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 bills its customers mainly in US$, HK$ and MOP. The main exposure to foreign currency fluctuations is through ordering from a major European supplier with invoices denominated in European dollars ("**Euro**"). For FY2017, the Group was able to reduce the net foreign exchange loss to HK$55,234 from a loss of HK$379,926 in FY2016. This was attributable to management's vigilance on the exchange rate fluctuation of USD against Euro by reducing the period of payables in Euro liabilities.

Dividends

During the year ended 31 December 2017, interim dividend of an aggregate amount of HK$6,500,000 (2016: HK$12,495,146) have been declared and paid by APE BVI to its shareholders. No dividend has been proposed since the end of the reporting period.

Purchase, sale or redemption of the Company's Listed Securities

During the period from the Listing Date to 31 December 2017 and thereafter up to the date of this announcement (the "**Period**"), the Company did not redeem its listed securities, nor did the Company or any of its subsidiaries purchase or sell such securities.

Compliance with Corporate Governance Code

During the Period, the Company has applied the principles and adopted all code provisions, where applicable, of the Corporate Governance Code as contained in Appendix 15 to the Rules Governing the Listing of Securities on GEM ("**GEM Listing Rules**" and the "**CG Code**", respectively) as its own code of corporate governance.

The Company has complied with all applicable code provisions as set out in the CG Code during the Period.

Securities transactions by Directors

The Company has adopted a code of conduct regarding Directors' securities transactions (the "**Own Code of Conduct**") on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the "**Required Standard of Dealings**"). 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 and required standards set out in the Own Code of Conduct during the Period.

Annual General Meeting

The forthcoming annual general meeting of the Company (the "**AGM**") will be held on Thursday, 31 May 2018. The notice convening the AGM will be published on the respective websites of the Stock Exchange and the Company and despatched to the Shareholders in due course.

Closure of Register of Members

In order to ascertain Shareholders' entitlements to attend and vote at the AGM, the register of members of the Company will be closed from Monday, 28 May 2018 to Thursday, 31 May 2018, both days inclusive, during which period no transfer of the Shares will be registered. All properly completed and stamped transfer documents accompanied by the relevant share certificates must be lodged 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, 25 May 2018.

Review by Audit Committee

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

The Audit Committee has reviewed the 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 disclosure has been made.

Publication of results announcement

This results announcement is published on the respective websites of the Company (www.apemacau.com) and the Stock Exchange (www.hkexnews.hk). An annual report for FY2017 containing all the information required by the GEM Listing Rules will be dispatched to the Shareholders and available on the respective websites of the Company and the Stock Exchange in due course.

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

Hong Kong, 20 March 2018

As at the date of this announcement, the executive Directors are Mr. HUIE, Allen Tat Yan (Chairman) and Mr. NG Man Ho Herman (Chief Executive 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 Company Announcements" page of the GEM website (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 (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.