



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



TOTAL SOLUTIONS PROVIDER FOR ELECTRONIC
GAMING EQUIPMENT IN MACAU AND ASIA



ENVIRONMENTAL , SOCIAL AND GOVERNANCE REPORT 2017

CONTENTS

Scope and Reporting Period	2
Stakeholder Engagement and Materiality	2
Stakeholders' Feedback	3
The Group's Sustainability Mission and Vision	3
Environmental	3
Emissions and Waste	4
Air Pollutant Emissions	4
Greenhouse Gas (GHG) Emissions	4
Hazardous and Non-hazardous Waste	5
Use of Resources	6
Energy Consumption	6
Water Consumption	8
Packaging Materials	8
Social	9
Employment and Labour Practices	9
Employment	9
Occupational Health and Safety	13
Development and Training	13
Labour Standards	13
Operating Practices	13
Supply Chain Management	13
Product Responsibility	14
Anti-corruption	15
Community Investment	15

SCOPE AND REPORTING PERIOD

This is the first 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 engages in the technical sales and distribution of Electronic Gaming Equipment to casino operators; the provision of consulting services to manufacturers of Electronic Gaming Equipment and technical services to manufacturers and casino operators; and the provision of repair services to casino operators.

This ESG report covers the Group’s overall performance in two subject areas, namely, Environmental and Social of the business operations in Macau, including general office areas for office operation, a workshop and a warehouse from 1 January 2017 to 31 December 2017, unless otherwise stated.

STAKEHOLDER ENGAGEMENT AND MATERIALITY

The Group engages with the various stakeholders through daily and operational interactions, to understand their needs, concerns, motivations, and objectives and try to accommodate them where reasonable and justifiable. Key stakeholders including frontline staff, directors, shareholders, customers and suppliers have been involved in regular engagement sessions to discuss and to review areas of attention which will help the business meets its potential growth and be prepared for future challenges.

The Group has conducted a systematic and formal stakeholder survey during the reporting period, most social aspects, as well as several environmental aspects, were considered material for the Group, including:

- Energy and water
- Material use (including packaging materials)
- Employment
- Occupational health and safety
- Development and training
- Labour standards
- Intellectual property
- Customer privacy
- Anti-corruption

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.

THE GROUP'S SUSTAINABILITY MISSION AND VISION

Business sustainability is critical to the long-term trust that the Group has built with public. The Group will formulate formal policies relating to Sustainability Mission and Vision in the future.

The Group's engagement in electronic games can bring in several positive social and economic impacts for business partners. It can save a lot of man power costs and reduce risks that made by human in the casino. It can also reduce lead time for each game so that the casinos can increase their turnover.

In addition, the Group receives several awards and membership as a recognition of its contribution to the society:

- Member of Macau Gaming Equipment Manufacturers Association (MGEMA)
- Construction Safety Card accredited by Labour Affairs Bureau (DSAL)
- Supreme Brand Awards

Environmental

As a non-manufacturing company, the Group and its daily operation generate minor impacts on natural environment. The Group does not produce wastewater, exhaust gas emissions and hazardous waste in daily operations. Indirect environmental impacts generated by the Group mainly includes following activities: 1) consumption of gasoline (for Group-owned vehicles) and purchased electricity; and 2) business air travel. Their corresponding emissions were calculated and presented within following sub-sections. The Group does not involve in consumption of packaging materials. Non-hazardous waste generated include office paper and incoming packaging materials. The Group did not generate a significant amount of electronic waste during the reporting period, the major waste type the Group generates that may contain hazardous materials is the slot machines.

Due to the minimal impacts on the environment, the Group has not yet formulated a formal environmental management system and/or environmental protection policy. Nevertheless, some of environmental protection and resource saving practices have been implemented, for example:

- Air conditioners (AC) are pre-set at 25 degrees Celsius to conserve energy
- Energy efficient LED lights have been installed
- Air cleaning system has been applied to ensure a healthy indoor environment

During the reporting period, the Group did not note any cases of material non-compliance relating to air and greenhouse gas emissions, discharge into water and land, and the generation of hazardous and non-hazardous waste.

Emissions and Waste

Air Pollutant Emissions

There were no direct on-site air emissions. Indirect air emissions, including both greenhouse gas (GHG) and non-GHG were generated from the consumption of gasoline for group vehicle, GHG emissions were also generated from the consumption electricity in office operations and business air travel.

Vehicle Operation and Emissions

One passenger car and one private van were used for the daily business operation. Both were operated on gasoline. Their combustion generated several air emissions include nitrogen oxides (NO_x), sulphur oxides (SO_x) and respiratory suspended particles (PM). NO_x and PM emissions were not reported due to lack of information during this reporting period.

Mobile fuel source	Air emissions (non-GHG) from the vehicle
	SO _x (kg)
Gasoline	0.075

Note: Emission factors for calculations on environmental parameters were made 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.

Greenhouse Gas (GHG) Emissions

There were 39.68 tonnes of GHG emitted in the reporting period, reported in carbon dioxide equivalent (CO_{2eq}). The GHG reported included following activities and scope:

- Direct (scope 1) GHG emissions from the combustion of gasoline for mobile transportation
- Energy indirect (scope 2) GHG from purchased electricity
- Other indirect (scope 3) GHG from waste paper disposal at landfill
- Other indirect (scope 3) GHG from business air travel by the Group employees

Activity	GHG Emissions (in tonnes CO _{2eq.})	%
Scope 1 Direct GHG emission		
Gasoline (mobile combustion)	1.94	4.89%
<i>Scope 1 total</i>	1.94	
Scope 2 Energy indirect GHG emission from purchased electricity		
Purchased electricity	17.50	44.10%
<i>Scope 2 total</i>	17.50	
Scope 3 Other indirect GHG emission		
Business air travel	18.20	51.01%
Waste paper disposal at landfill	2.04	
<i>Scope 3 total</i>	20.24	
Total GHG	39.68	100.00%

Note: Emission factors for calculations on environmental parameters were made 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. Emission factor for purchased electricity in Macau was obtained from CEM Sustainability Report 2016.

It was found that the largest GHG emission was due to the business air travel made by the Group's employees. While it is un-avoidable to make business travel on many circumstances, the Group will consider encouraging more teleworking whenever appropriate in the upcoming years. For the second largest emission source — the energy indirect GHG emissions, the Group does not have managerial control over the energy supplier thus will not structure any mitigation initiatives.

Hazardous and Non-hazardous Waste

Whenever possible, the Group tries to reuse and recycle waste to achieve waste reduction and resource conservation. The used slot machines contain some hazardous materials such as heavy metals. The Group's engineers take out some components from machines, such as monitor, computer, bill acceptor and printer, which will be used for second-hand machines project.

Non-hazardous waste generated by the Group was mainly office paper and incoming packaging materials. Waste office paper was landfilled while the packaging materials were reused as much as possible with the remaining landfilled.

Waste type	Waste category	Amount (tonnes)	Waste treatment method
Hazardous waste	Used slot machines	0.300	Recycle major parts for second-hand machines project
Non-hazardous waste	Waste office paper for recycle	0.424	Landfill
	Machine Box- Wooden	0.200	Re-use for other packaging purposes with the remaining landfilled
	Machine Box- Hard Paper	0.150	Re-use for other packaging purposes
	Machine Buffer Material	0.100	Re-use for other packaging purposes

To reduce waste office paper and save resources, the Group has implemented following schemes to save paper:

- promoting electronic communication to reduce the use of paper;
- providing recycling boxes beside the photocopier, collecting used paper for potential reuse;
- adjusting printers to the double-sided setting, using double-sided printing and reusing paper for receiving facsimile;
- using recycled paper for photocopying;
- encouraging employees to reuse stationery, such as old envelopes and paper clips; and
- using e-cards (such as New Year cards, Christmas cards, etc.) for employees to use in festivals.

Use of Resources

Energy Consumption

The energy source the Group consumed was electricity and gasoline. A total of 5,112 liters of gasoline were consumed during the reporting period and it was converted to indirect consumption in Kilowatt-hour (kWh).

Energy source	Direct consumption (in liter)	Indirect consumption (in kWh)
Gasoline	5,112	45,227.14

Note: Conversion factors were made reference to IEA Energy Statistics Manual and 2006 IPCC Guidelines for National Greenhouse Gas Inventories.

The electricity consumption by the Group was 19,342 kWh in total for the reporting period. The electricity was all used by the workshop. Only the electricity consumption for the workshop was recorded during the reporting year, as the office and warehouse electricity was part of the rental fee and the Group shares only a certain proportion of office space.

Office Location	Consumption (kWh)	Floor area of the workshop (m ²)	Intensity (kWh per m ²)
The Group	19,342	166.9	115.89

The Group has promoted energy-saving behaviours among employees focusing on various aspects:

A. Lighting systems:

- using T5 light tubes or LED lighting to replace inefficient incandescent lamps;
- turning off lights during low occupancy periods (such as lunch and non-office hours);
- turning off shared lighting such as those in the reception, corridors, lift hallways during lunchtime and irregular office hours.

B. Air-conditioning systems:

- maintaining an average indoor temperature between 24 and 26 degrees Celsius during summer to reduce the power consumption of air-conditioning;
- monitoring temperature settings regularly via the installation of thermometers in various locations in the office;
- turning off during low occupancy periods (such as lunch and non-office hours);
- starting air-conditioning in the conference room only 15 minutes before usage and turning it off after usage;
- adopting flexible dressing code during summer to minimize air-conditioning usage;
- reducing day-lighting and heat absorption by using blinds and/or curtains.

C. Computer systems:

- using standby or sleeping mode for personal computers;
- turning off personal computers (including monitors and CPUs) after office hours;
- switching off the power supply to the computer in the standby mode when not in use for long periods;
- turning off computer monitors when not in active usage, such as during a meeting, lunchtime etc.;
- turning off unnecessary servers during non-office hours;
- making use of the power-saving functions of computer operating system.

D. Others:

- purchasing energy-efficient appliance (such as refrigerators and air-conditioners);
- keeping records on energy consumption to initiate any follow-up actions if needed;
- encouraging staff to reduce lift usage by using stairs.

Water Consumption

The Group's water usage is minimal or insignificant, thus no relevant water saving initiative has been established. There were no water basins in the office, workshop, warehouse. Employees can access to the floor washroom which is managed by building property management. The Group did not have control over either the water consumption or any relevant water saving initiatives. The Group will consider promoting water-saving behaviours among employees in the upcoming reporting period.

Packaging Materials

Packaging materials including bubble wrap sheet and stretch film were used for delivery of slot machines. All packaging materials were from reused incoming packaging materials without involving virgin materials during the reporting period.

Social

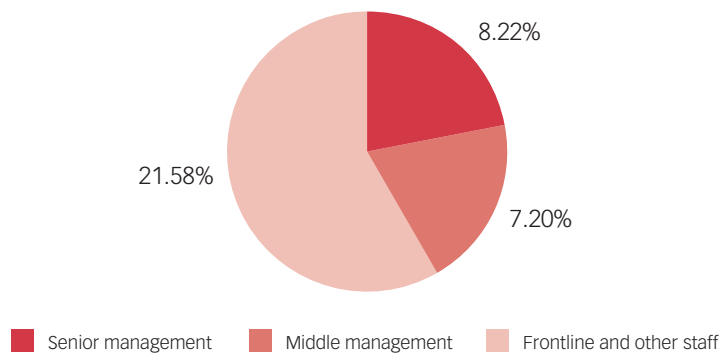
Employment and Labour Practices

Employment

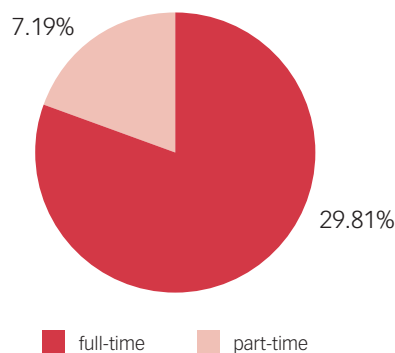
The Employee's Handbook serves as the guideline and working procedure to manage employment and labour-related practices. No non-compliance with relevant laws and regulations that have a significant impact on the Group relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare had been identified during the reporting period.

By the end of this reporting period, the Group had a total 36 employees.

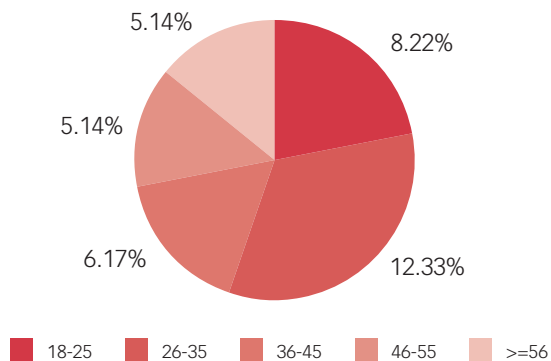
Total Workforce (number of employees, %) by Employee Category



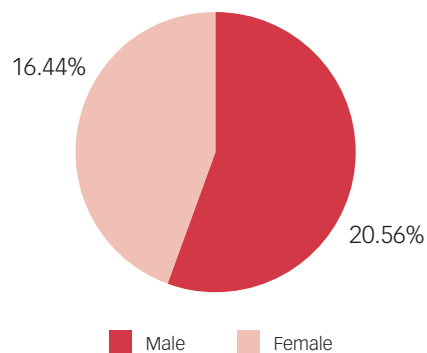
Total Workforce (number of employees, %) by Employee Type



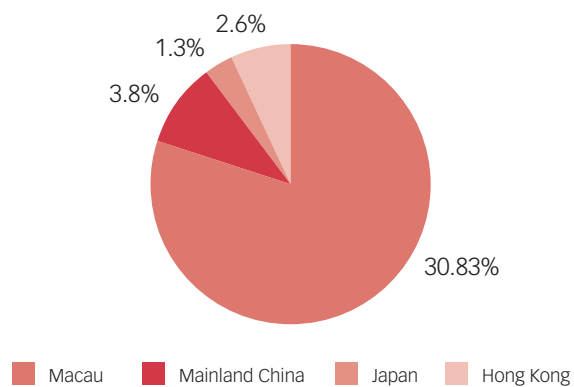
Total Workforce (number of employees, %) by Age Group



Total Workforce (number of employees, %) by Gender



Total Workforce (number of employees, %) by Geographical Region



Compensation, Benefits, and Appraisal System

The Group follows all applicable laws when implementing the employees' compensation and benefits system. Employees' rights and benefits, including public holidays, annual paid leave, sick leave, maternity leave, paternity leave, and bereavement leave are all formulated and executed per Labour Relations Law of Macau. The Group also regularly arranges cultural activities to enrich the employees' after-hours activities and for the team-building purpose. During the end of each reporting period, the Group will distribute the "Performance Evaluation Form" to all supervisors to assess staffs' performance in the past year.

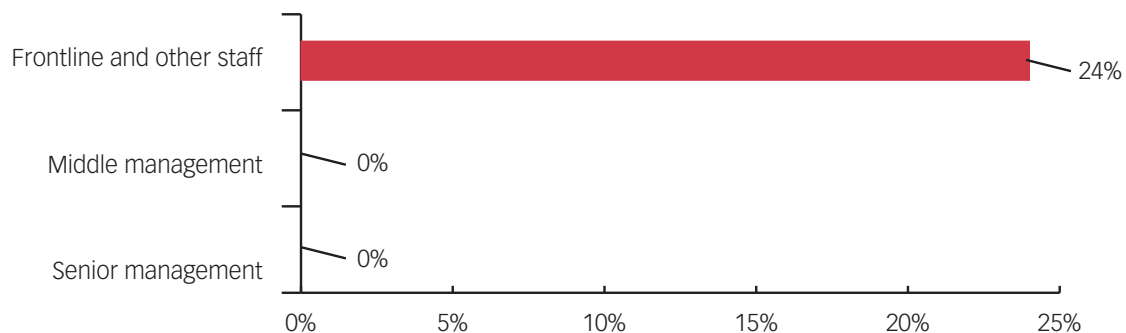
Equal Opportunity

The Group does not have any forms of discrimination. Everyone is treated equally and respectfully. The Group also welcomes teammate to provide their suggestions freely. Any employee, regardless of his/her sex, nationality, marital status, disability and religious belief, is entitled to same benefits and treatment being offered and applied to all other employees.

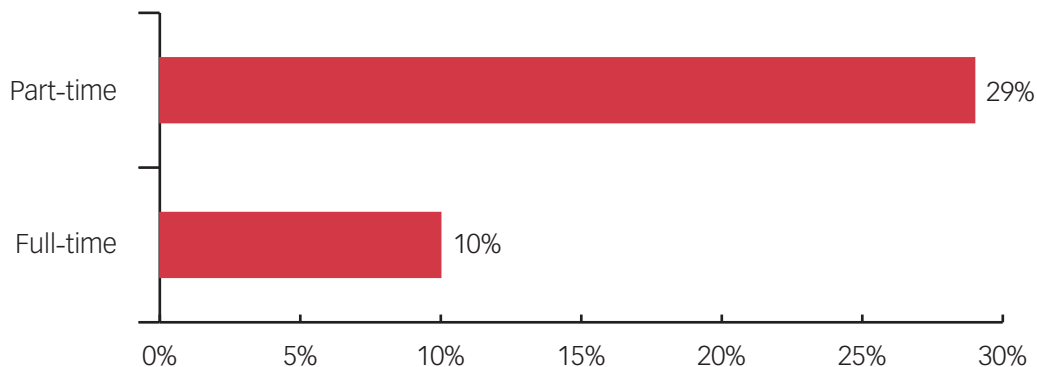
Turnover

5 employees resigned during the reporting period, leading to a turnover rate of 14% for the Group.

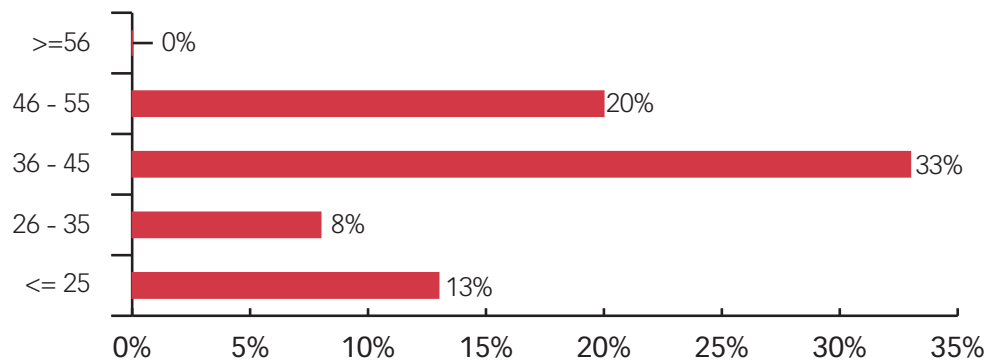
Total Turnover Rate by Employee Category



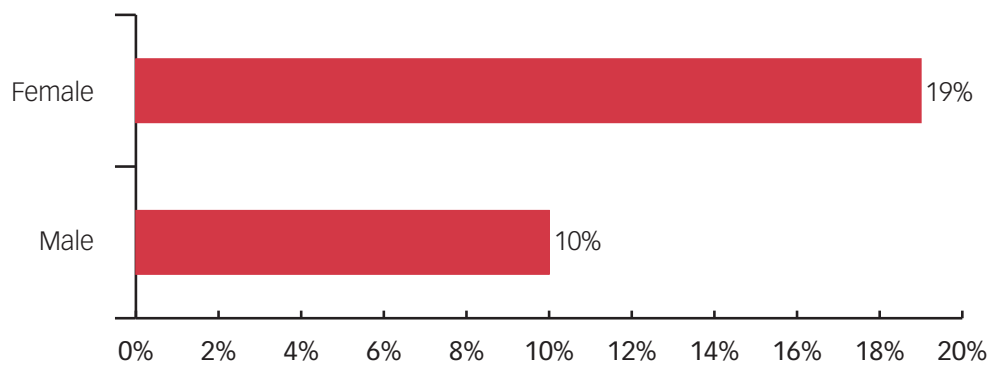
Total Turnover Rate by Employee Type



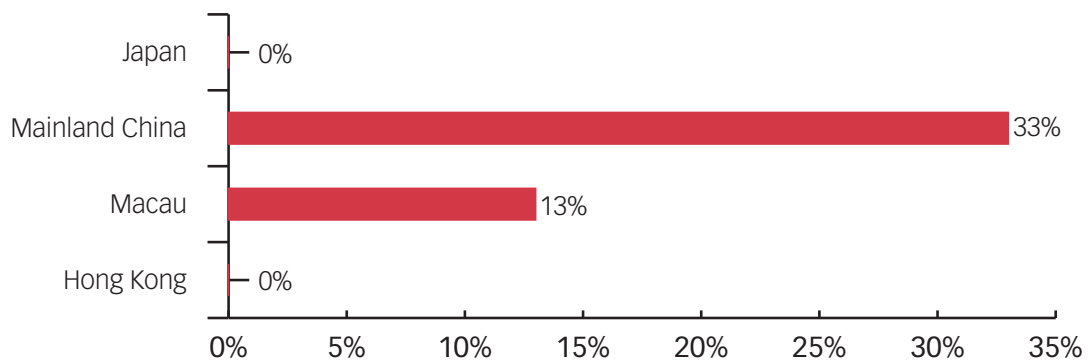
Total Turnover Rate by Age Group



Total Turnover Rate by Gender



Total Turnover Rate by Geographical Region



Occupational Health and Safety

Workplace safety is of high priority. Employees are familiar with fire safety and evacuation plan of the building. To allow the treatment for minor injuries, first aid boxes are available at readily accessible locations. In addition, the Group clean the workplace on a daily basis and change the filters of air conditioners on a monthly basis to achieve a healthy indoor environment for the employees. The Group also installs fire extinguishers in the warehouse.

No work-related fatality or injury cases during the reporting period. No non-compliance with relevant laws and regulations that have a significant impact on the Group relating to providing a safe working environment and protecting employees from occupational hazards had been identified during the reporting period.

Development and Training

The Group arranges high quality training for employees to satisfy training and development needs, to assist employees to prepare for various challenges during any business changes. The Group will consider establishing formal Training and Development policy in the future.

Labour Standards

The Human Resources Department continues to implement comprehensive checking system during the recruitment process, as newly engaged employees are required to provide identification document or Passport for background check.

The Group strictly follows the Labour Law of Macau government. No non-compliance with relevant laws and regulations that have a significant impact on the Group relating to preventing child and forced labor had been identified during the reporting period.

Operating Practices

Supply Chain Management

The Group establishes a Policy Manual to detail the policies and procedures on purchases and payments, aiming to improve the transparency in decision making on all purchases transactions and Supplier/Distributor Agreements.

Before adding new suppliers, assessment is strictly carried out, internal evaluation forms such as Sample Request and Evaluation Report should be filled out. If new brand or machine is introduced, the Group will check if relevant supplier is listed on the Lists of Approved Manufacturers and Suppliers of Gaming Machines issued by the Gaming Inspection and Coordination Bureau. For engaged suppliers, the annual performance evaluation is performed to ensure the quality of goods and services provided are maintained at acceptable level.

In 2017, the Group engages with suppliers from multiple regions.

Geographical Region	No. of suppliers
Macau	47
Taiwan	2
Slovenia	1
Australia	1
USA	1
United Kingdom	1
Hong Kong	1
Mainland China	1

Product Responsibility

During the reporting period, the Group did not note any cases of material non-compliance with laws and regulations regarding health and safety, advertising, labelling and privacy matters relating to products and services provided.

Quality Assurance

The Group ensures Quality Assurance and Quality Control procedures were conducted for installation of machines. As a gaming machine distributor, the Group did not have product recalls. Failed trials were recorded and documented in the 2017 Annual Report.

The Group protects the Intellectual Property (IP) of itself and its business partners. The Group's registered business name (APE) is a registered Trade Mark (IP no. N/117032(002)).

In addition, the Group has engaged with industrial partners, government agencies, customers, and other stakeholders to promote responsible gaming practices. For example, Gaming Inspection and Coordination Bureau have a responsible gaming rule and our products are in full compliance with it.

Data Protection

The Group respects personal data and is committed to full implementation and compliance with the data protection principles and all relevant provisions of the Hong Kong Personal Data (Privacy) Ordinance and other applicable laws in regions where the Group operates.

The Group's IT General Control Policies and Procedures sets out the data classification and corresponding protection measure to be taken. Three levels of data have been defined: 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, financial reports etc.

The Group's dedicated IT department monitors the hardware and software to ensure the stability of the network and run smoothly. Personal Computer Security is strictly monitored, for example, individual users shall not install any hardware on their PCs. It is a violation of security procedures to add or modify hardware such as RAM, processors, coprocessors, I/O boards or peripheral equipment without authorization of management.

For effective data protection, sub-policies on Laptop Security, Software License Management, End User Control, System Access and Privilege Control Procedures, Cloud Storage Usage are all actively implemented. For example, only authorized and licensed software can be installed on the PC. Users cannot install any software to the PC without authorization from management. No other copies of software or its documentation may be made without the express written consent of the software publisher. All PCs granted access to the wireless LAN must be installed with personal firewall and anti-virus software.

Anti-corruption

The Group has formulated a formal Anti-Bribery and Anti-Corruption Policy to maintain an ethical workplace environment. The policy sets out the responsibilities of those who work for the Group with regard to observing and upholding zero-tolerance position on bribery and corruption. The Group's employees are committed to acting professionally, fairly, and with integrity in all business dealings and relationships, wherever in the country the Group operates. The policy is applicable to all applicable stakeholders, including not only all employees (whether temporary, fixed-term, or permanent), but also consultants, contractors, trainees, seconded staff, home workers, casual workers, agency staff, volunteers, interns, agents, sponsors, or any other person or persons associated with the Group.

The policy also clearly states what is and what is not acceptable for 4 areas: gifts and hospitality; facilitation payments; political contributions; charitable contributions. For example, it is suggested to employees that gifts given and received should always be disclosed to the compliance manager. Gifts from suppliers should always be disclosed. For charitable contributions, the Group ensures that all charitable donations made are legal and ethical under local laws and practices.

The Group has a whistle-blowing system that states all employees can be whistle-blowers. The whistle-blowers should make their complaint to the line manager, the compliance manager, the director, or the Head of Governance and Legal. The Group ensures that no one suffers any detrimental treatment as a result of refusing to accept or offer a bribe or other corrupt activities or because they reported a concern relating to potential act(s) of bribery or corruption.

There were no concluded legal cases regarding corrupt practices brought against the Group or its employees and the Group did not note any cases of non-compliance with laws and regulations on money laundering or corruption during the reporting period.

Community Investment

The Group will consider contributing to community engagement from next reporting period to understand the needs of local communities and to ensure the Group's activities take into consideration the communities' interests.