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 2020

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 2020. This announcement, containing the full text of the 2020 annual report of the Company (the "**2020 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 2020 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, 25 March 2021

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 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

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Cayman Islands

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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
Sir Kwok Siu Man KR (resigned on 28 December 2020)
Ms. Yue Sau Lan (appointed on 28 December 2020)

Company secretary
Sir Kwok Siu Man KR (resigned on 28 December 2020)
Ms. Yue Sau Lan (appointed on 28 December 2020)

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

Principal share registrar and transfer office
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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 2020 (the "**Year**" or "**FY2020**").

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 and staff for their diligence, dedication and contribution throughout the years.

OVERVIEW

For the Year, the Group experienced a sharp contraction in revenue of approximately 51% to approximately HK$40.5 million from approximately HK$82.0 million for the year ended 31 December 2019 ("**FY2019**"). The drop in revenue was mainly attributable to the falls in revenues from (i) technical sales and distribution of electronic gaming equipment ("**EGE**") by approximately 51%; (ii) consulting and technical services by approximately 42% and; (iii) repair services by approximately 61% for the Year as compared with those for FY2019. In line with the fall in revenues, the Group's gross profit fell by approximately 63% to approximately HK$10.5 million in the Year from approximately HK$28.6 million in FY2019.

The ongoing novel coronavirus ("**COVID-19**") epidemic has had a prolonged impact on the Group's results during the Year. The Group announced the termination of two finance leases on 21 May 2020. As a result of early termination of these finance leases, the Group recorded an impairment loss of finance lease receivables of approximately HK$22.9 million during the Year.

As a result of the one-time impairment from the termination of these finance leases as well as the overall decline in annual revenues, the Group's net loss after tax for the Year was approximately HK$32.0 million compared to a net loss after tax of approximately HK$3.0 million in FY2019.

The Board had adopted and approved a share option scheme (the "**Share Option Scheme**") with details disclosed in the paragraph headed "Share Option Scheme" in Appendix IV to the Company's prospectus dated 31 October 2017 and the paragraph headed "Share Option Scheme" in the Directors' report to this annual report. However, the Board has not yet operated the Share Option Scheme in FY2020. The Board has resolved not to recommend a dividend for the Year.

CHAIRMAN'S STATEMENT

FORWARD

The Group remains concerned about the impact of the ongoing COVID-19 epidemic on the operations of its land-based operators in the Macau Special Administrative Region ("**Macau SAR**") and Southeast Asia. The Group has proactively taken steps to mitigate the impact of COVID-19 on its business, operations and finances and remains optimistic that with planned vaccinations, business activities can return to pre-COVID-19 levels in 2021.

During the Year, the Group proactively searched for new business opportunities that can supplement the Group's core EGE business. The Group focused on opportunities that play to the strength such as our knowledge and network in Macau SAR, our relationships with casino operators and hotels, our extensive experience in operating, installing and repairing machines, and our experienced management team to be our core competences.

The Group decided not to pursue further development of APE Sports and Entertainment Limited announced on 24 June 2020 as the ongoing COVID-19 impact has affected travel, sports and entertainment events during the Year.

After extensive market research, the Group decided to pursue the smart vending machine business starting in Macau SAR ("**Smart Vending**"). Smart Vending is an underserved market in Macau SAR, and is particularly relevant in a post-COVID-19 environment. Our Smart Vending operations will mainly target tourists as well as local residents of Macau SAR. The Group believes that Smart Vending will be well within the core competencies of the Group, and can contribute to the overall business success of the Group. As of the date of this report, the Group has ordered 15 smart vending machines for trial and testing, signed agreements with several well known local product suppliers, and contracted with a number of well-traffic locations for our smart vending machines in Macau SAR. We plan to launch trial of our Smart Vending operations during the first half of 2021 before a more robust roll-out. We are hopeful and confident that the Smart Vending business will supplement our core EGE business to the benefit of all Shareholders.

Despite a large financial loss for the Year, the Company's long-term financial stability remains intact. The Company recorded a positive net operating cash flow of approximately HK$0.8 million for the Year as compared to a negative net operating cash flow of approximately HK$2.7 million for FY 2019. The positive operating cash flow for the Year is mainly attributable to a better management of trade receivables. The cash and cash equivalent of the Group increased by approximately 11% from approximately HK$43.6 million as at 31 December 2019 to approximately HK$48.2 million as at 31 December 2020. The Company has no debt or borrowings on its balance sheet as at 31 December 2020.

Huie, Allen Tat Yan
Chairman and Executive Director
Hong Kong, 25 March 2021

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Asia Pioneer Entertainment Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**") is a total solutions provider of electronic gaming equipment ("**EGE**") for land-based casinos in the Macau Special Administrative Region of the People's Republic of China ("**Macau SAR**") as well as other regions in Asia. EGE principally includes electronic table games and electronic gaming machines ("**EGMs**"). The Group's business can be divided into: (1) the technical sales and distribution of EGE to land-based casinos; (2) the provision of repair services to casino operators; and (3) the provision of consultancy and technical services.

The business of the Group is conducted through its wholly-owned subsidiary, namely Asia Pioneer Entertainment Limited ("**APE Macau**"), its wholly-owned subsidiary. APE Macau is the operating company of the Group, which operates the core businesses of the Group. For the Year ended 31 December 2020 (the "**Year**" or "**FY2020"**), APE Macau represented all of the revenue of the Group.

The Group's performance for the Year was adversely affected by the outbreak of the novel coronavirus (the "**COVID-19 pandemic**") in Macau SAR and Southeast Asia during the first quarter of 2020. In Macau SAR, the government ordered all casinos to suspend operations in February 2020 for two weeks and imposed stringent travel restrictions on visitors. In July 2020, the Gaming Inspection and Coordination Bureau of Macau SAR stated that it would require any visitor of casinos in Macau SAR to produce negative COVID-19 test certificate before entering into such casinos, and hence, limiting the business of the casino operators.

Similarly, in Southeast Asia, most casino operators have been ordered to suspend operations since March 2020 and as at the date of this report, many operators have not been reopened. As a result, the Group has seen a weaker demand for technical sales and distribution of EGE products as our customers' businesses have been directly affected by the COVID-19 pandemic. During the Year, the Group has seen that some orders for EGE were either delayed or cancelled. The Group has taken actions to reduce its operating costs and review its strategic initiatives to position itself for business growth once the COVID-19 crisis subsides.

Termination of Finance Leases

APE Macau had entered into (a) a finance lease agreement with, among others, Siam Star Leisure Co., Ltd ("**Siam Star**") as the lessee on 4 December 2018 for leasing of EGE for use at a casino in Kingdom of Cambodia ("**Cambodia**") (the "**Finance Lease Agreement I**") which constituted a major transaction of the Company; and (b) a finance lease agreement with GLIMEX INC. ("**Glimex**", together with Siam Star, the "**Lessees**" and each a "**Lessee**") as the lessee on 11 December 2018 for leasing of certain EGE for use at a casino in The Republic of Philippines ("**Philippines**") (the "**Finance Lease Agreement II**", together with the Finance Lease Agreement I, the "**Finance Lease Agreements**" and each a "**Finance Lease Agreement**") which constituted a disclosable transaction of the Company. For details of the Finance Lease Agreements, please refer to the announcement of the Company dated 4 April 2019 and the circular of the Company dated 16 May 2019.

In order to prevent the spread of COVID-19 pandemic, casinos in the Philippines and Cambodia had suspended operations since 16 March and 1 April 2020 (the "**Suspension**"), respectively. As the Lessees had failed to pay the lease rental, the Finance Lease Agreements were terminated by APE Macau on 21 May 2020. APE Macau had exercised its rights to demand the return of the EGE leased to the Lessees under the Finance Lease Agreements and the EGE was returned to APE Macau. The Group recorded a total impairment loss of finance lease receivables of approximately HK$22.9 million during FY2020.

MANAGEMENT DISCUSSION AND ANALYSIS

In respect of the outstanding finance lease rental of US$127,680 (equivalent to approximately HK$1 million) owing by Glimex to the Group, Glimex agreed to pay such outstanding rental by instalments. According to the letter dated 30 June 2020 from Glimex to the Company (the "**Letter**"), Glimex agreed to pay the first instalment of US$25,200 within 30 days of the Letter, and the remaining outstanding balances by monthly instalments of around US$10,000 each from July 2020. In respect of the outstanding finance lease rental and interest of US$249,049.94 (equivalent to approximately HK$1.95 million) owing by Siam Star to the Group, the Group had sent a demand letter to Siam Star on 29 June 2020 and had followed up with Siam Star from time to time during FY2020.

Since the last rental payments from Glimex (in February 2020) and Siam Star (in March 2020), the Group has not received any further payment of lease rental from Glimex or Siam Star. The Group will continue to explore ways to recover the outstanding payments from Glimex and Siam Star and reserve its rights to take legal actions against them. The Company will keep shareholders of the Company and potential investors informed of any material update.

Full Year Results

The Group's total revenue during the Year was approximately HK$40.5 million, representing a decrease of approximately 51% over that of approximately HK$82.0 million for the year ended 31 December 2019 ("**FY2019**"). For the Year, the Group incurred a net loss after tax of approximately HK$32.0 million, compared to a net loss after tax of approximately HK$3.0 million for FY2019.

On a divisional basis, the Group made revenue from the technical sales and distribution of EGE of approximately HK$36.9 million for the Year, a decrease of approximately 51% from approximately HK$75.0 million for FY2019. From consultancy and technical services, the Group made revenue of approximately HK$2.5 million for the Year, a decrease of approximately 42% from approximately HK$4.3 million for FY2019. From the repair services, the Group made revenue of approximately HK$1.1 million of the Year, a decrease of approximately 61% from approximately HK$2.7 million for FY 2019.

From a gross profit standpoint, the overall gross profit and gross margin of the Group for the Year were approximately HK$10.5 million and approximately 26.0%, respectively, whereas the overall gross profit and gross margin for FY2019 were approximately HK$28.6 million and approximately 34.8%, respectively.

On a divisional basis, technical sales and distribution of EGE made a gross profit of approximately HK$10.2 million, representing a gross margin of approximately 27.7% and the corresponding gross profit and gross margin of that division was approximately HK$24.8 million and approximately 33.0%, respectively for FY2019.

The consulting and technical services division generated a gross profit of approximately HK$0.3 million for the Year, representing a gross margin of approximately 11.9%, whereas the corresponding gross profit for that division was approximately HK$2.3 million and gross margin was approximately 53.2% for FY2019.

The repair of EGE had a gross profit of approximately HK$2,000 for the Year, representing a gross margin of approximately 0.2%, whereas the corresponding gross margin for that division was approximately 57.2% for FY2019.

MANAGEMENT DISCUSSION AND ANALYSIS

Principal Risks And Uncertainties

The Group's business and results of operation are highly dependent on the demand of casinos, particularly at the time of new casino openings and replacement of used EGE. This demand has been negatively impacted by the COVID-19 crisis which has affected the operations and finances of the Group's major customers (see section COVID-19 — Risks and Uncertainties). A significant portion of the Group's revenue was generated by technical sales and distribution of EGE. Thus, the Group's revenue is also highly dependent on demand of EGE from our customers.

INDUSTRY REVIEW

According to government statistics, Macau SAR's casino revenues as measured by Gross Gaming Revenue ("**GGR**") has recorded a 14-year low in FY2020. In FY2020, the overall Macau SAR GGR figures recorded a significant decline of 79.3% to MOP60.44 billion (US$7.56 billion) compared to MOP292.46 billion (US$36.6 billion) in 2019[1]. This decline can be mainly attributed to a 85% decrease in overseas visitors from 39.4 million in 2019 to 5.9 million in 2020[2] as a result of the prolonged 12-month COVID-19 pandemic impacting tourist arrivals to Macau SAR[2].

COVID-19 — RISKS AND UNCERTAINTIES

Overview

The outbreak of COVID-19 pandemic at the beginning of FY2020 has had a severe impact on our customers, the casino operators' operations and finances in Macau SAR as well as Southeast Asia. This section explains the impact of COVID-19 on the Group's industry, geographical markets and the Group's customers and operations during the Year.

Impact of COVID-19 on our Markets

Macau SAR

On 5 February 2020, the Macau SAR government instructed all Macau SAR casinos to close gaming facilities temporarily as a measure to contain the COVID-19 spreading throughout Macau SAR. The casinos were allowed to reopen 15 days later but with new social distancing measures put in place to ensure patron safety and hygiene. These measures include separation of empty seats on gaming tables and separation of slot players by switching middle machines off.

The impact of in-bound travel restrictions by the Macau SAR government as well as outbound travel restrictions from other countries has been a drastic drop in visitor arrivals. For FY2020, visitor arrivals decreased by 85% from 39.4 million in FY2019 to 5.9 million in FY2020[2]. The impact of COVID-19 in Macau SAR GGR showed a significant 79% drop in GGR from MOP292.46 billion (US$36.6 billion) in FY2019 to MOP60.44 billion (US$7.56 billion) in FY2020.

The impact on the financial performance of our customers has been significant with most of our customers reporting up to 50% drop in revenues and recording losses for FY2020.

1. https://www.cdcgamingreports.com/final-tally-macau-ends-2020-with-7-56b-in-gaming-revenue-regions-lowest-total-since-2006/
2. https://www.dsec.gov.mo/ts/#!/step2/KeyIndicator/zh-MO/243

MANAGEMENT DISCUSSION AND ANALYSIS

The Philippines

Philippine Amusement and Gaming Corporation regulator ordered closure of all casinos on 16 March 2020 and allowed reopening on 24 August 2020 under 30% operational capacity. From 1 February 2021, only foreign visitors with valid and existing visas were allowed to enter the country. Foreigners with long-term visas were allowed to enter the country from August 2020.

The number of foreign visitors dropped 83.7% in 2020 due to travel restrictions in respect of COVID-19, Philippine's GGR dropped 71.2% from PHP55.34 billion in the third quarter of FY2019[1].

Cambodia

Cambodia regulators ordered all casinos to close from 1 April 2020 and allowed gradual resumption of casino opening from 8 July 2020. On 20 May 2020, the Royal Governance has mandated a 14-day quarantine for all passengers (both Cambodian and foreign nationals) for entry into the country.

As a benchmark of COVID-19 impact, revenues of Cambodia's largest casino listed holding company reported drop of revenues by approximately 57% in first half of FY2020[2].

The Federation of Malaysia ("Malaysia")

In Malaysia, casinos were ordered to shut between January and February in 2020 and again from March to June in 2020. Opening was gradual with enhanced gaming floor safety measures. As a benchmark of COVID-19 impact, the largest listed casino resort of Malaysia reported a drop of 59% in annual revenue for the year ended 30 September 2020.

COVID-19 Impact on Group Operations

The Group's operations are primarily focused in Macau SAR . During the Year (except for 2 weeks in February), all of our staff were able to work from office as normal whilst maintaining safe social distancing and enhanced hygiene procedures. Of the 40 staff in our Macau SAR operations, 8 staff are non-resident worker's identification card holders whom commute daily across the border from Zhuhai, the People's Republic of China (the "**PRC**"). With the disruption to cross border travel in the first quarter of 2020, the Group rented temporary accommodation for the affected staff to remain in Macau SAR after work. This arrangement was discontinued in September 2020 as daily cross border resumed as normal.

The Group has not made any retrenchments in 2020 as a result of COVID-19. The Group applied and received a government cash subsidy of MOP200,000 for temporary relief from the Macau SAR government. From April 2020, the Group implemented a voluntary salary reduction and staff voluntary unpaid leave policy which resulted in approximately 15% savings in staff costs.

COVID-19 Impact on Group Business

In the Group's core business of gaming machine sales, we estimated that up to 15% of 2020 orders from our regular customers have been postponed as a result of COVID-19 issue. A further 12% of our orders have been cancelled as a result of COVID-19 impact on our customers.

Despite the major impact from COVID-19 on the Group's operations and finances through the Year, the Group is of the view that with the introduction of government sponsored vaccinations in most affected countries in 2021, the post-COVID-19 recovery will begin. It is likely that travel restrictions will be lifted within 2021 and the Group believes that the gaming industry will see a swift recovery in 2022.

1 https://www.ggrasia.com/philippine-casinos-produced-us332mln-ggr-in-3q-pagcor/

2 https://www.nagacorp.com/eng/ir/finhigh.php

MANAGEMENT DISCUSSION AND ANALYSIS

SMART VENDING MACHINES BUSINESS

The Group has been active in reviewing different business opportunities to supplement its core EGE business. After extensive market research, the Group plans to launch smart vending machines operations (“**Smart Vending**”) targeting tourists as well as local residents of Macau SAR. Smart Vending will use the latest generation of vending machines with coin and electronic payments. Initially Smart Vending will offer soft drinks, snacks which will later expand to travel gift goods and household items. The Group has ordered several smart vending machines for trial and testing, signed agreements with several local product suppliers, and started looking for locations for our smart vending machines in Macau SAR. The Group expects to launch trial of our Smart Vending business in the first half of 2021.

Whilst Smart Vending will start in Macau SAR, the overall economic integration of Greater Bay Area policies driven by local and neigbouring SAR and Guangdong provincial governments means that more opportunities will open up for Smart Vending solutions to be rolled out across Greater Bay Area of the PRC in the future.

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.

In April 2020, the senior management of the Company (the “**Senior Management**”) undertook voluntary salary reductions of 20% and all staff took voluntary salary reductions of 10%. Also the Group implemented a voluntary unpaid leave policy allowing staff to take unpaid leave. These resulted in savings in Directors’ remuneration of approximately 48% and a 13% reduction in staff salaries and wages for the Year.

The Group reviewed all the costs of corporate and professional vendors and were able to achieve a approximately 56% reduction in professional fees.

The Group decided to terminate the development of its own game titles in FY2020 which was initiated in FY2019 choosing to remain as an agent/distributor of other supplier game titles. This resulted in a approximately 98% reduction in development expenses for the Year.

Overall the Group was able to achieve a approximately 37% 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 and a healthy working capital position relative to its revenue.

Finally, the Group decided to concentrate its focus on operations and businesses in Macau SAR and only selectively sell EGE to Southeast Asian countries. The Group believes that these initiatives will help weather the uncertainties caused by the outbreak of COVID-19.

PROSPECTS

Despite the ongoing uncertainty on COVID-19 which continues to affect the operations and plans of our customers, the Group remains confident that within a medium term of 2-3 years timeframe, the core business of EGE distribution will recover back to operating normalcy. The view is based on the assumption that the announced international COVID-19 vaccines in early 2021 will be implemented by governments and private sectors allowing for business and leisure travel to resume by end of 2021.

On the long term industry trend within gaming floor casinos, we believe that casinos will assign more gaming floor space to cater towards the mass market segment of players. This in turn will increase percentage of slot machines versus tables. Casino managers move towards greater automation as they implement new social distancing and public hyenine policies to its patrons. Patrons in turn will have greater preference to use slot machines to avoid more direct social contact. These positive trend factors encourage us that future demand for our EGE products remains strong and positive.

The Group is in discussion with a major Macau SAR mall operator to operate arcade game zone within their mall. This will include video games, skill games and lucky draw games.

The Group is optimistic on the rollout of Smart Vending solutions in 2021 as a plan to diversify its business from gaming equipment into other revenue streams but still retain its core competences of Macau SAR localisation and technical knowledge.

The Group continues to proactively seek opportunities to diversify its revenues into non-gaming related sectors with focus on Macau SAR and Greater Bay Area related opportiunities.

FINANCIAL RESULTS

Key Financial Data	2020 *HK$*	2019 *HK$*	2018 *HK$*	2017 *HK$*	2016 *HK$*
Results of operation					
Revenue	40,473,031	81,968,117	109,618,844	86,063,958	52,576,234
Gross profit	10,531,587	28,565,184	47,934,133	34,830,381	23,228,347
(Loss)/Profit before tax	(32,032,449)	(1,721,768)	24,109,721	7,122,981	11,458,702
(Loss)/Profit and total comprehensive (expense)/ income for the year	(32,032,449)	(3,049,022)	20,701,271	4,492,286	9,562,281
Financial position					
Total assets	66,734,300	112,209,498	120,673,011	92,578,013	27,985,396
Total liabilities	10,647,383	24,090,132	29,504,623	22,110,896	14,055,748
Total equity	56,086,917	88,119,366	91,168,388	70,467,117	13,929,648

Revenue

For FY2020, the Group's revenue decreased by approximately 51% to approximately HK$40.5 million from approximately HK$82.0 million for FY2019. Gross profit decreased by approximately 63% to approximately HK$10.5 million for FY2020 from approximately HK$28.6 million for FY2019.

MANAGEMENT DISCUSSION AND ANALYSIS

Group's Overall Performance

The sharp fall in revenue and gross profit performance were principally attributed to the decrease in revenue from technical sales and distribution of EGE and consulting and technical services during the Year.

Operating Expenses

The Group's operating expenses decreased by approximately 37.1% to approximately HK$20.8 million for FY2020 from approximately HK$33.0 million for FY2019, principally attributable to (i) the 20% voluntary salary reduction of Senior Management; (ii) 10% voluntary salary reduction of all staff; and (iii) the decrease in professional fees of approximately 56%.

Net Loss

Net loss after tax was approximately HK$32.0 million for FY2020 as compared to a net loss after tax of approximately HK$3.0 million for FY2019 mainly due to: (i) a one-time impairment of approximately HK$22.9 million as a result of termination of two finance leases; and (ii) a general decline in EGE sales as a result of COVID-19 impact.

LIQUIDITY, FINANCIAL RESOURCES, GEARING RATIO AND CAPITAL STRUCTURE

During FY2020, the Group financed its operations by its internal resources. As at 31 December 2020, the Group had net current assets of approximately HK$53.5 million versus those of approximately HK$62.4 million as at 31 December 2019.

As at 31 December 2020, the gearing ratio (which is calculated by dividing total debts by total equity) was not applicable to the Group. 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.

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

The Group plans to expand its business into Smart Vending machines business; the Group has purchased several vending machines for trial and regarded it as an addition to our core business.

Saved as disclosed above and in the sections headed "**Statement of Business Objectives and Use of Proceeds**" 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 2020.

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 FY2020.

MAJOR EVENTS AFTER THE END OF THE YEAR

The Company began its diversification strategy into the Smart Vending business. After FY2020 and up to the date of this annual report, the Company began trials of its vending machines business by purchasing 15 vending machines to sell various products within Macau SAR.

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINGENT LIABILITIES

As at 31 December 2019 and 2020, the Group did not have any material contingent liabilities.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2020, the Group had a total of 40 employees (31 December 2019: 40). For FY2020, the Group incurred staff costs, including Directors' remuneration of approximately HK$13.5 million (2019: approximately HK$18.3 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 FY2020.

CAPITAL COMMITMENTS

As at 31 December 2020, capital commitment was approximately HK$0.2 million in respect of the acquisition property and equipment (31 December 2019: approximately HK$1.8 million).

CHARGES ON GROUP ASSETS

As at 31 December 2020 and 2019, 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 2020, all cash on hand were deposited with licensed financial institutions in Hong Kong Special Administrative Region and Macau SAR.

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 is through ordering from a major European supplier with invoices denominated in European dollars ("**Euro**"). For FY2020, the Group's net foreign exchange loss was HK$4,461, a decrease from HK$261,750 for FY2019. This was attributable to the fluctuation of exchange rate of US$ against Euro, which affected negatively our payables in Euro liabilities.

DIVIDENDS

The Board has resolved not to recommend any dividend for the Year (2019: 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**")	62	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**")	49	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**")	51	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**")	60	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**")	42	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**")	45	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. Chan Ka Ian	38	assistant general manager (sales and marketing)	management and supervision of the sales and marketing team	7 July 2008	N/A
Mr. Ip Wai Wai	35	assistant general manager (technical)	management and supervision of the technical team	19 April 2010	N/A
Ms. Lou Sut Mui	57	financial controller	management and supervision of the accounting team	18 Dec 2007	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**"). Save 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 62, is the chairman and an executive Director of the Group. 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 15 years of experience in the gaming industry. Mr. Huie also has over 36 years of experience in investments and investment banking. Apart from investing into the Group, Mr. Huie is an investor in SeaAir Solutions, LLC (formerly known as Port Logistics, LLC), a terminal and cold storage operator in Florida, the United States of America ("**USA**"). Mr. Huie is also a shareholder of China Clean of Renewable Energy Limited, an engineering plastics company and is a shareholder of LVA Ventures Limited, a venture capital firm in the Hong Kong Special Administrative Region ("**Hong Kong SAR**"). Mr. Huie also 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.. Mr. Huie is licensed under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) to engage in Type 9 (asset management) regulated activity. He is currently a director of ATH Capital Management Limited, an asset management company in Hong Kong SAR.

Mr. Huie received both a bachelor of science degree in economics from the Wharton School in 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 49, is the CEO and an executive Director of the Group. 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 11 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 51, 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.

Mr. Chan is 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.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

Independent non-executive Directors

Mr. Choi Kwok Wai ("**Mr. Choi**"), aged 60, 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 20 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 from 2009 to the date of this annual report.

Mr. Ma Chi Seng ("**Mr. Ma**"), aged 42, 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 45, 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. 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 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.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

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

Ms. Chan Ka Ian ("**Ms. Chan**"), aged 38, is the assistant general manager (sales and marketing) and joined the Group on 7 July 2008. Ms. Chan is responsible for the management and supervision of the sales and marketing of the Group, including supervising the sales and marketing team of the Group, product marketing, liaising with clients and identifying their needs, developing and implementing pricing strategy for products of the Group. Ms. Chan has more than 13 years of B2B sales management and business development experience in the gaming industry as well as an extensive experience in marketing.

Ms. Chan obtained a bachelor's degree of science from the Macau University of Science and Technology in 2006.

Mr. Ip Wai Wai ("**Mr. Ip**"), aged 35, is the assistant general manager (technical) and joined the Group on 19 April 2010. Mr. Ip is responsible for the management and supervision of the technical team of the Group, provision of technical support service, including installation, system maintenance, troubleshooting and design refinement of gaming machines. He also serves in the frontline to provide immediate and around-the-clock technical solutions to the clients of the Group. Prior to joining the Group, Mr. Ip began his career as a slot technician at Elixir International Limited, an information communication technology and extra low voltage solution provider in Macau SAR, from 2007 to 2009 and later as a casino technician at Casino Oceanus in Macau SAR from 2009 to 2010. Mr. Ip has over 11 years of experience in provision of the technical support regarding gaming machines.

Mr. Ip obtained a bachelor's degree in engineering (major in electrical and automation engineering) from Fujian University of Technology, the People's Republic of China (the "**PRC**") in 2007.

Ms. Lou Sut Mui ("**Ms. Lou**"), aged 57, 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.

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 2020 (the "**Year**") and period thereafter up to the date of this annual report (collectively, the "**Period**").

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 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.

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.

CORPORATE GOVERNANCE REPORT

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 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.

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.

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 five meetings and, amongst other matters, considered and approved (i) the audited consolidated financial statements of Group for the year ended 31 December 2019 ("**FY2019**"); (ii) the abridged unaudited consolidated financial results of the Group for the three months ended 31 March 2020; (iii) the unaudited consolidated financial statements of the Group for the six months ended 30 June 2020; (iv) the abridged unaudited consolidated financial results of the Group for the nine months ended 30 September 2020; and (v) the change of Company Secretary and anthorised representatives.

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	5
Mr. Ng	CEO and ED	5
Mr. Chan	CFO and ED	5
Mr. Ma	INED	2
Mr. Ho	INED	5
Mr. Choi	INED	5

The Board held a meeting on 25 March 2021 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 except Mr. Ma attended the Board meeting.

During the Year, the Company held the annual general meeting of the Shareholders on 12 May 2020. All the Directors except Mr. Ma attended such meeting.

Board Diversity Policy

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

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 Law 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.

CHAIRMAN AND CHIEF EXECUTIVE

Code provision A.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.

As the amended code provision C.3.2 was effective from 1 January 2019, the Company has adopted the change to the Terms of Reference to the effect that the cooling-off period to former partners of the Company's external auditor before they can be members of the Audit Committee has been extended from the preciously 1-year period to a 2-year period.

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 the Management to ensure that the Management has performed its duty to have such effective systems;

- 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 the Management about the accounting records, financial accounts or systems of control and the 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 FY2019, the unaudited consolidated financial statements of the Group for the three months ended 31 March 2020, the unaudited consolidated financial statements of the Group for the six months ended 30 June 2020 and the unaudited consolidated financial statements for the nine months ended 30 September 2020.

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 25 March 2021 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 and Mr. Ho attended the above meeting in their respective capacities as the chairman and a member 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 12 May 2020. 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 25 March 2021 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 and Mr. Ho attended such meeting in their respective capacities as the chairman and a member of the Nomination Committee.

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

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 25 March 2021, and reviewed and recommended to the Board for consideration certain remuneration-related matters of the Directors and the Senior Management.

Mr. Ho and Mr. Huie attended such meeting in their respective capacities as the chairman and a member 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 2020 and considered certain risk management matters. Mr. Huie, Mr. Ng and Mr. Chan attended such meeting.

The Risk Management Committee held a meeting on 25 March 2021, 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 with the Company on 25 October 2017 for a term of three years commencing on 15 November 2017, and the contract has 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. 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.

Save 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 B.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	1
1,000,001 to 1,500,000	2
	3

INDEPENDENT AUDITOR'S REMUNERATION

On 4 September 2020, Deloitte Tohmatsu ("**Deloitte**") resigned as the Group's independent auditor (the "**Independent Auditor**"), and Grant Thornton Hong Kong Limited ("**Grant Thornton**") was engaged as the Independent Auditor for the Year with effect from 10 September 2020.

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 2020	750,000

The remuneration paid/payable to Deloitte 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 2020	480,000

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 page 43 to page 49 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. The Management will identify the 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 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 the 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. 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.

Based on the external auditor's reports, the actions taken by the 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 the 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 delivered and 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.

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.

Pursuant to Rule 17.102 of the GEM Listing Rules, the Company has posted its amended and restated memorandum and Articles of Association on the respective websites of the Stock Exchange and the Company.

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 2020 (the" **Year**" or "**FY2020**" and the "**Consolidated Financial Statements**", respectively).

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are the distribution, repair and consultancy of electronic gaming equipment ("**EGE**") to gaming operators in the Macau Special Administrative Region ("**Macau SAR**") as well as other regions in Asia. Details of the Company's principal subsidiaries are set out in note 32 to the Consolidated Financial Statements. There was no significant change in the nature of the Group's principal activities during the Year.

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 12 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.

	Technical sales and distribution of EGE *HK$*	Consulting and technical services *HK$*	Repairs services *HK$*	Total *HK$*
Revenue	36,933,709	2,480,866	1,058,456	40,473,031
Cost of sales and services	(26,698,625)	(2,186,532)	(1,056,287)	(29,941,444)
Gross profit	10,235,084	294,334	2,169	10,531,587
Gross profit margin	27.7%	11.9%	0.2%	26%

(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$36.9 million, representing a decrease of approximately 51% as compared with approximately HK$75.0 million for the year ended 31 December 2019 ("**FY2019**"). For FY2020 and FY2019, the revenue generated from this division represented approximately 91% and 92% of the Group's total revenue, respectively.

In terms of unit sales breakdown as measured by the number of seats, for the Year, 176 seats were sold with 53 EGM and 123 electronic table games ("**ETGs**") seats. This number represented a 48% decrease over the 339 seats in FY2019.

By number of seats	2020	2019	Change
			%
ETGs	**123**	226	(46%)
EGMs	**53**	113	(53%)
TOTAL	**176**	339	(48%)

(ii) Consulting and technical services

The Group provides technical and regulatory consulting 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$2.5 million compared with approximately HK$4.3 million in FY2019, a year-on-year decrease of approximately 42% .

(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$1.1 million, representing a decrease of approximately 61% as compared with approximately HK$2.7 million for FY2019.

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 50 of this annual report.

During the Year, no dividend was made nor declared (FY2019: 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 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**").

USE OF PROCEEDS FROM THE LISTING

The net proceeds from the listing of the Shares on GEM of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**", "**GEM**" and the "**Listing**", respectively) received by the Company (the "**Net Proceeds**") after deducting underwriting fees and the estimated expenses were approximately HK$40.0 million. The intended use of the Net Proceeds are disclosed in the section "Statement of Business Objectives and Use of Proceeds" in the Prospectus. There was no unutilised Net Proceeds as at 31 December 2020.

The Group utilised the Net Proceeds as follows:

	Percentage to total amount	Net proceeds *HK$ million*	Amount utilised during the Year *HK$ million*	Amount utilised as at 31 December 2020 *HK$ million*	Amount unutilised as at 31 December 2020 *HK$ million*
Upfront deposits for manufacturers to provide more trial products	41.5%	16.60	0.90	16.6	–
Procuring EGMs for lease to casino operators in Macau SAR and Asia	17.8%	7.10	–	7.10	–
Procuring and refurbishment of used EGMs for resales	13.2%	5.30	–	5.30	–
Enhancing market recognition in Macau SAR and Southeast Asia and strengthening in-house capability to provide repair services	17.3%	6.90	–	6.90	–
Relocation of office premises	0.7%	0.30	–	0.30	–
Purchase of tools and equipment and new enterprise resource planning system	6.8%	2.70	0.29	2.70	–
General working capital	2.7%	1.10	–	1.10	–
	100%	40.00	1.19	40.00	–

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 will be issued in late June 2021.

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 Law, 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 2021 annual general meeting of the Company (the "**AGM**") will be held on Wednesday, 12 May 2021. A circular containing the details of the 2021 AGM and the notice of the 2021 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 2020, the Company had no reserve available for distribution to the Shareholders, calculated in accordance with the Companies Law, 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 33 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 (FY2019: Nil).

SHARE CAPITAL

Details of the Company's share capital and the movements therein during the Year are set out in Note 25 to the Consolidated Financial Statements.

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:

	Percentage of the Group's total	
	Sales	**purchases**
— The largest customer	62.7%	N/A
— 5 largest customers in aggregate	92.8%	N/A
— The largest supplier	N/A	36.6%
— 5 largest suppliers in aggregate	N/A	96.3%

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 13 to 18 of this annual 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 with the Company on 25 October 2017 for a term of three years commencing on 15 November 2017 (the "**Listing Date**"), and the contract has 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. 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 2021 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 2020 is as follows:

- Mr. Chan has been a committee member of Asia CEO Club since 10 August 2020.

- Mr. Chan resigned as a director of Health Builder London Limited.

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 2020. 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 2020.

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 2020, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 517 of the Laws of Hong Kong (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	728,710,000 Notes 1&2&3	72.87%
Mr. Ng	Beneficial owner	728,710,000 Notes 1&2&3	72.87%
Mr. Chan	Beneficial owner	728,710,000 Notes 1&2&3	72.87%

Note 1: On 14 January 2020, APE HAT Holdings Limited holding a total of 725,100,000 Shares had made a restructure and transferred 287,719,680, 287,719,680 and 149,660,640 Shares to Mr. Huie, the chairman of the Board and an executive Director, Mr. Ng, the chief executive officer of the Company and an executive Director and Mr. Chan, the chief financial officer and the compliance officer of the Company as well as an executive Director, respectively. Pursuant to a deed of concert parties dated 10 March 2017 and signed by Mr. Huie, Mr. Ng and Mr. Chan (the "**Deed of Concert**"), each of them has agreed and confirmed, among other things, that they have been cooperating with each other and acting in concert in relation to the Group (for the purpose of the Code of Takeovers and Mergers of Hong Kong SAR) since 1 January 2015 and will continue to act in the same manner in the Group upon the Listing. By virtue of the SFO, Mr. Huie, Mr. Ng and Mr. Chan are deemed to be interested in 725,100,000 Shares, representing 72.51% of the total number of Shares in issue, held by them altogether.

Note 2: On 14 September 2020, Mr. Chan acquired 1,920,000 Shares on the market. Pursuant to the Deed of Concert, both Mr. Huie and Mr. Ng also deemed to be interested in such 1,920,000 Shares. By virtue of the SFO, Mr. Huie, Mr. Ng and Mr. Chan are deemed to be interested in 727,020,000 Shares, representing 72.70% of the total number of Shares in issue, held by them altogether.

Note 3: From 19 to 24 November 2020, Mr. Huie acquired 1,690,000 Shares in total on the market. Pursuant to the Deed of Concert, both Mr. Ng and Mr. Chan also deemed to be interested in such 1,690,000 Shares. By virtue of the SFO, Mr. Huie, Mr. Ng and Mr. Chan are deemed to be interested in 728,710,000 Shares, representing 72.87% of the total number of Shares in issue, held by them altogether.

* The percentage represents the total number of the Shares and the underlying Shares, if any, interested divided by the number of issued Shares of 1,000,000,000 as at 31 December 2020.

Save as disclosed above, as at 31 December 2020, 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 2020, 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

Other than the vending machine business described above, 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$10,975 (FY2019: HK$3,000).

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 C.3.3 and C.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.

CLOSURE OF REGISTER OF MEMBERS FOR AGM

The 2021 AGM is scheduled to be held on Wednesday, 12 May 2021. For determining the Shareholders' entitlement to attend and vote at the 2021 AGM, the register of members of the Company will be closed from Friday, 7 May 2021 to Wednesday, 12 May 2021, 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 Thursday, 6 May 2021.

INDEPENDENT AUDITOR

Grant Thornton Hong Kong Limited ("**Grant Thornton**") were appointed as the independent auditor of the Company (the "**Independent Auditor**") with effect from 10 September 2020 to fill the casual vacancy following the resignation of Deloitte Touche Tohmatsu. Particulars of the change in the Independent Auditors are set out in the Company's announcement dated 10 September 2020. The Consolidated Financial Statements have been audited by 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 2021 AGM.

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

Hong Kong, 25 March 2021

INDEPENDENT AUDITOR'S REPORT

Grant Thornton
致同

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 50 to 114, which comprise the consolidated statement of financial position as at 31 December 2020, 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 2020, 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 that technical sales and distribution of electronic gaming equipment is 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 2020 is HK$36,933,709.	Our 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
Termination of finance lease arrangements	
We identified the termination of finance lease arrangements as a key audit matter due to the quantitative significance to the consolidated statement of profit or loss and other comprehensive income and the consolidated statement of financial position. On 21 May 2020, two finance lease arrangements were terminated in accordance with the terms of the finance lease agreements and the ownership of the underlying electronic gaming equipment have been returned to the Group. As disclosed in notes 4.2, 7 and 16 to the consolidated financial statements, impairment loss on finance lease receivables amounting to HK$22,854,825 was recognised in the consolidated statement of profit or loss and other comprehensive income during the year ended 31 December 2020.	Our procedures in relation to the termination of finance lease arrangements included the following: • obtained the termination agreements of the finance lease arrangements; • obtained the amortisation schedule of finance lease receivables prepared by management, and evaluated the accuracy of the carrying amounts of finance lease receivables at the date of termination; and • obtained the calculation of impairment loss on finance lease receivables and evaluated the reasonableness of the amount recognised.

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 17 to the consolidated financial statements, the net carrying value of inventories was HK$8,466,899 as at 31 December 2020, and allowance of HK$1,995,487 was recognised in the consolidated statement of profit or loss and other comprehensive income during the year ended 31 December 2020.	Our 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.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information in the 2020 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.

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
Level 12
28 Hennessy Road
Wanchai
Hong Kong

25 March 2021

Ng Ka Kong
Practising Certificate No.: P06919

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	NOTES	2020 HK$	2019 HK$
Revenue from contracts with customers	5	**40,473,031**	81,968,117
Cost of sales		**(29,941,444)**	(53,402,933)
Gross profit		**10,531,587**	28,565,184
Other income, gains and losses	6	**1,214,875**	2,809,439
Impairment losses under expected credit loss ("**ECL**") model, net of reversal	7	**(22,866,193)**	106,593
Operating expenses		**(20,794,471)**	(33,040,908)
Finance costs	8	**(118,247)**	(162,076)
Loss before tax		**(32,032,449)**	(1,721,768)
Income tax expense	9	**–**	(1,327,254)
Loss and total comprehensive expense for the year	10	**(32,032,449)**	(3,049,022)
Loss per share			
Basic and diluted	13	**(0.032)**	(0.003)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2020

	NOTES	2020 HK$	2019 HK$
ASSETS AND LIABILITIES			
Non-current assets			
Property and equipment	14	**1,125,261**	2,902,080
Right-of-use assets	15	**2,224,838**	3,601,336
Deposit for property and equipment		**–**	1,400,000
Finance lease receivables	16	**–**	19,591,746
Rental deposits	18	**206,560**	210,305
		3,556,659	27,705,467
Current assets			
Inventories	17	**8,466,899**	7,310,075
Finance lease receivables	16	**–**	7,083,303
Trade and other receivables	18	**6,462,490**	21,348,628
Pledged bank deposit	19	**–**	5,127,639
Fixed bank deposit	19	**40,253**	40,203
Bank balances and cash		**48,207,999**	43,594,183
		63,177,641	84,504,031
Current liabilities			
Trade and other payables	20	**3,523,115**	13,416,829
Contract liabilities	21	**695,587**	3,002,869
Lease liabilities	22	**1,081,463**	1,333,685
Income tax payable		**4,335,609**	4,335,609
		9,635,774	22,088,992
Net current assets		**53,541,867**	62,415,039
Total assets less current liabilities		**57,098,526**	90,120,506
Non-current liability			
Lease liabilities	22	**1,011,609**	2,001,140
Net assets		**56,086,917**	88,119,366
EQUITY			
Share capital	25	**10,000,000**	10,000,000
Reserves		**46,086,917**	78,119,366
Total equity		**56,086,917**	88,119,366

The consolidated financial statements on pages 50 to 114 were approved and authorised for issue by the board of directors on 25 March 2021 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 2020

	Share capital HK$	Share premium HK$	Merger reserve HK$ (Note (a))	Legal reserve HK$ (Note (b))	Accumulated profits/(loss) HK$	Total HK$
As at 1 January 2019	10,000,000	55,098,836	(3,416,148)	504,489	28,981,211	91,168,388
Loss and total comprehensive expense for the year	–	–	–	–	(3,049,022)	(3,049,022)
As at 31 December 2019 and 1 January 2020	10,000,000	55,098,836	(3,416,148)	504,489	25,932,189	88,119,366
Loss and total comprehensive expense for the year	–	–	–	–	(32,032,449)	(32,032,449)
Balance as at 31 December 2020	**10,000,000**	**55,098,836**	**(3,416,148)**	**504,489**	**(6,100,260)**	**56,086,917**

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 2020

	NOTES	2020 HK$	2019 HK$
OPERATING ACTIVITIES			
Loss before tax		**(32,032,449)**	(1,721,768)
Adjustments for:			
Depreciation of property and equipment	14	**1,861,892**	1,885,839
Depreciation of right-of-use assets	15	**1,376,498**	1,206,853
Finance costs	8	**118,247**	162,076
Interest income under effective interest method	6	**(691,705)**	(1,887,486)
Bank interest income	6	**(81,507)**	(229,007)
Deposit forfeited from a customer	6	**(207,626)**	–
COVID-19-related rent concessions	6	**(24,600)**	–
Impairment losses under ECL model, net of reversal	7	**22,866,193**	(106,593)
Loss on disposal of property and equipment	10	**646**	–
Write-down of inventories to net realisable value	10	**1,995,487**	–
Write-off of deposit for property and equipment	10	**1,400,000**	–
Operating cash flows before working capital changes		**(3,418,924)**	(690,086)
Increase in inventories		**(99,030)**	(4,972,591)
Decrease in finance lease receivables		**1,450,793**	5,618,228
Decrease in trade and other receivables		**14,856,483**	7,374,835
Decrease in trade and other payables		**(9,893,714)**	(10,697,952)
(Decrease)/Increase in contract liabilities		**(2,099,656)**	3,002,869
Net cash generated from/(used in) operations		**795,952**	(364,697)
Income tax paid		**–**	(2,381,487)
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES		**795,952**	(2,746,184)
INVESTING ACTIVITIES			
Interest received		**111,394**	290,198
Placement of fixed bank deposit		**(50)**	(51)
Placement of pledged bank deposit		**–**	(127,639)
Withdrawal of pledged bank deposit		**5,127,639**	–
Purchase of property and equipment	14	**(86,884)**	(98,427)
Proceeds from disposal of property and equipment		**1,165**	–
Payment for rental deposit		**–**	(42,000)
NET CASH GENERATED FROM INVESTING ACTIVITIES		**5,153,264**	22,081
FINANCING ACTIVITIES			
Repayments of lease liabilities	30	**(1,335,400)**	(1,189,600)
NET CASH USED IN FINANCING ACTIVITIES		**(1,335,400)**	(1,189,600)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**4,613,816**	(3,913,703)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**43,594,183**	47,507,886
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**48,207,999**	43,594,183

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

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 of the Company have been listed on GEM of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 15 November 2017.

As at 31 December 2019, APE HAT Holdings Limited ("**APE HAT**"), a company incorporated in the British Virgin Islands (the "**BVI**"), was the immediate holding company of the Company, and, in the opinion of the directors, was also the ultimate holding company of the Company.

On 14 January 2020, APE HAT transferred all its shares of the Company to Mr. Huie, Allen Tat Yan ("**Mr. Huie**"), Mr. Ng Man Ho Herman ("**Mr. Ng**"), and Mr. Chan Chi Lun ("**Mr. Chan**"), respectively, who 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 (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 Service**s") and (3) the provision of repair services to casino operators ("**Repair Services**").

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")

New and amended IFRSs that are effective for annual periods beginning on or after 1 January 2020

In the current year, the Group has applied for the first time the following amendments to IFRSs issued by 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 2020:

Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 3	Definition of a Business
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform

In addition, on 1 January 2020, the Group has early applied the Amendments to IFRS 16 "COVID-19-Related Rent Concessions" which will be effective for the Group for financial year beginning on or after 1 June 2020.

Except as described below, the application of the amendments to IFRSs in the current year had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO IFRSs *(Continued)*

New and amended IFRSs that are effective for annual periods beginning on or after 1 January 2020 *(Continued)*

Amendment to IFRS 16 "COVID-19-Related Rent Concessions"

The Group has early applied the amendment to IFRS 16 in the current year. The application has no impact to the opening accumulated profits at 1 January 2020. The Group recognised changes in lease payments that resulted from rent concessions of HK$24,600 in profit or loss for the year ended 31 December 2020.

These rent concessions occurred as a direct consequence of COVID-19 pandemic and met of all of the conditions in IFRS 16.46B, and the Group applied the practical expedient not to assess whether the changes constitute lease modifications. During the year ended 31 December 2020, the effects on changes in lease payments due to forgiveness or waiver by the lessors for the relevant leases of HK$24,600 were recognised as negative variable lease payments.

New and amendments to IFRSs in issue but not yet effective

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

IFRS 17	Insurance Contracts and related amendments[3]
Amendments to IFRS 3	Reference to the Conceptual Framework[5]
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform — Phase 2[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[3]
Amendments to IAS 16	Property, Plant and Equipment — Proceeds before Intended Use[2]
Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract[2]
Amendments to IFRSs	Annual Improvements to IFRS Standards 2018-2020[2]

1 Effective for annual periods beginning on or after 1 January 2021
2 Effective for annual periods beginning on or after 1 January 2022
3 Effective for annual periods beginning on or after 1 January 2023
4 Effective date not yet determined
5 Effective for business combination for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2022

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with IFRSs issued by IASB. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "**GEM Listing Rules**") and by the Hong Kong Companies Ordinance (the "**CO**").

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.

The consolidated financial statements have been prepared on the historical cost basis at the end of each reporting period, as explained in the accounting policies set out below.

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.

The consolidated financial statements incorporate the financial statements of the Company, entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

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

3.2 Basis of consolidation *(Continued)*

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. 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.

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.

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

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
- 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.

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

3.3 Revenue from contracts with customers *(Continued)*

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.

Income 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;

- 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.

Income 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.

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.

For contracts where the Group transferred the associated goods or services before payments from customers in which the Group adjusts for the promised amount of consideration for significant financing components, the Group applies a discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. The Group recognises interest income during the period between the payment from customers and the transfer of the associated goods or services.

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)*

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 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.

The Group as a lessee

Allocation of consideration to components of a contract

For a 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.

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

3.4 Leases *(Continued)*

The Group as a lessee *(Continued)*

Short-term leases

The Group applies the short-term lease recognition exemption to leases of car parks, warehouse and dormitories 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.

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.

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

3.4 Leases *(Continued)*

The Group as a lessee *(Continued)*

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.

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.

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

3.4 Leases *(Continued)*

The Group as a lessee *(Continued)*

Lease modifications

The Group accounts for a 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 a 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.

COVID-19-related rent concessions (Upon early application of Amendment to IFRS 16 in accordance with note 2)

Rent concessions relating to lease contracts that occurred as a direct consequence of the COVID-19 pandemic, the Group has elected to apply the practical expedient not to assess whether the change is a lease modification if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

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.

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

3.4 Leases *(Continued)*

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Amounts due from lessees under finance leases are recognised as receivables at commencement date at amounts equal to net investments in the leases, measured using the interest rate implicit in the respective leases. Initial direct costs (other than those incurred by manufacturer or dealer lessors) are included in the initial measurement of the net investments in the leases. Interest income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Interest income which is derived from finance lease arrangement is presented as other income.

Allocation of consideration to components of a contract

When a contract includes both lease and non-lease components, the Group applies IFRS 15 to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Lease modification

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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 accumulated profits.

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 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, associates and joint ventures, 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.

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 and 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 to which the asset belongs.

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 and finished goods, 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. 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) 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 fair value through profit or loss ("**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 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.

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 finance lease receivables, rental deposits, trade and other receivables, pledged bank deposit, 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 finance lease receivables and 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.

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)*

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

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

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.

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

3.15 Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

(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;

(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.

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

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.

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, finance lease receivables, pledged bank deposit, 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 finance lease receivables and trade receivables where the corresponding adjustment is recognised through a loss allowance account.

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

3.15 Financial instruments *(Continued)*

Financial assets *(Continued)*

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.

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 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

3.17 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 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.

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 trading of electronic gaming equipment. The Group should continue to recognise 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 2020, the Group recognised revenue relating to trading of electronic gaming equipment amounted to HK$36,933,709 (2019: HK$75,015,474) as set out in note 5.

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)

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.

(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.

In making the judgment, the directors of the Company considered the details 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. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

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 finance lease receivables and trade receivables

The Group uses provision matrix to calculate ECL for finance lease receivables and 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 finance lease receivables and trade receivables and the ECL are disclosed in notes 16, 18 and 29.2 respectively.

Allowance for inventories

Net realisable value of inventories (Note 17) 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.

5. REVENUE AND SEGMENT INFORMATION

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

For the purpose of resources allocation and performance assessment, the chief operating decision maker, who are the executive directors, reviews the overall results and financial position of the Group as a whole prepared based on same accounting policies set out in note 3. Accordingly, the Group has only one single operating and reportable segment and no further discrete financial information nor analysis of this single segment is presented.

5.1 Disaggregation of revenue from contracts with customers

	Technical Sales and Distribution of Electronic Gaming Equipment *HK$*	Consultancy and Technical Services *HK$*	Repair Services *HK$*	Total *HK$*
2020				
Types of goods or services				
Technical Sales and Distribution of Electronic Gaming Equipment				
— Electronic table games	19,500,081	–	–	19,500,081
— Electronic gaming machines	14,777,203	–	–	14,777,203
— Spare parts	2,656,425	–	–	2,656,425
	36,933,709	–	–	36,933,709
Consultancy and Technical Services				
— Technical supports	–	1,293,328	–	1,293,328
— Consultancy services	–	1,187,538	–	1,187,538
	–	2,480,866	–	2,480,866
Repair Services	–	–	1,058,456	1,058,456
Total	36,933,709	2,480,866	1,058,456	40,473,031
Geographical markets				
Macau SAR	31,414,935	2,480,866	1,029,640	34,925,441
Vietnam	5,236,043	–	–	5,236,043
Others	282,731	–	28,816	311,547
Total	36,933,709	2,480,866	1,058,456	40,473,031
Timing of revenue recognition				
At a point in time	36,933,709	39,060	1,029,640	38,002,409
Over time	–	2,441,806	28,816	2,470,622
Total	36,933,709	2,480,866	1,058,456	40,473,031

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

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

	Technical Sales and Distribution of Electronic Gaming Equipment *HK$*	Consultancy and Technical Services *HK$*	Repair Services *HK$*	Total *HK$*
2019				
Types of goods or services				
Technical Sales and Distribution of Electronic Gaming Equipment				
— Electronic table games	42,138,715	–	–	42,138,715
— Electronic gaming machines	25,101,872	–	–	25,101,872
— Spare parts	7,774,887	–	–	7,774,887
	75,015,474	–	–	75,015,474
Consultancy and Technical Services				
— Technical supports	–	1,863,102	–	1,863,102
— Consultancy services	–	2,400,474	–	2,400,474
	–	4,263,576	–	4,263,576
Repair Services	–	–	2,689,067	2,689,067
Total	75,015,474	4,263,576	2,689,067	81,968,117
Geographical markets				
Macau SAR	66,026,804	4,263,576	2,612,400	72,902,780
Vietnam	8,367,652	–	–	8,367,652
Others	621,018	–	76,667	697,685
Total	75,015,474	4,263,576	2,689,067	81,968,117
Timing of revenue recognition				
At a point in time	75,015,474	445,207	2,612,400	78,073,081
Over time	–	3,818,369	76,667	3,895,036
Total	75,015,474	4,263,576	2,689,067	81,968,117

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

5.2 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 the performance obligation as a whole is not 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.

Income from Consultancy and Technical Services

Income 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;
- 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.

Income 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.

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

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

Income from 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 income 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.

5.3 Transaction price allocated to the remaining performance obligation for contracts with customers

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2020 and 2019 and the expected timing of recognising revenue are as follows:

	2020 ***HK$***	2019 *HK$*
Within one year	–	74,270
More than one year but not more than two years	–	74,068
More than two years	–	145,497
	–	293,835

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

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:

	2020 ***HK$***	2019 *HK$*
Customer A	**25,362,299**	10,496,956
Customer B	**5,236,043**	N/A#
Customer C	**N/A#**	25,370,646
Customer D	**N/A#**	10,118,958
Customer E	**N/A#**	9,998,552

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

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FOR THE YEAR ENDED 31 DECEMBER 2020

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

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

Geographical information

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

	2020 HK$	2019 HK$
Other income		
Interest under effective interest method on finance lease receivables	683,850	1,880,378
Government grant *(note (a))*	194,175	–
Compensation income *(note (b))*	–	877,783
Bank interest income	81,507	229,007
COVID-19-related rent concessions *(note 10)*	24,600	–
Effective interest income on rental deposits	7,855	7,108
Deposit forfeited from a customer	207,626	–
Others	19,723	76,913
	1,219,336	3,071,189
Other gains and losses		
Net foreign exchange loss	(4,461)	(261,750)
	1,214,875	2,809,439

Notes:

(a) On 27 May 2020, the Macau SAR government enacted Administrative Regulation No.19/2020, among other things and grants a range of Macau Pataca ("**MOP**") MOP15,000 to MOP200,000) (equivalent to HK$14,563 to HK$194,175) to eligible Macau business enterprises. The directors of the Company considered reasonably certain and recognised a government grant of HK$194,175 during the year ended 31 December 2020.

(b) Compensation income represents the agreed customisation fees charged to casino operators during the course of trial of electronic gaming machines.

7. IMPAIRMENT LOSSES UNDER ECL MODEL, NET OF REVERSAL

	2020 HK$	2019 HK$
Impairment losses/(reversed) recognised on:		
— Finance lease receivables *(note 29.2)*	22,854,825	(18,689)
— Trade receivables *(note 29.2)*	11,368	(87,904)
	22,866,193	(106,593)

Details of impairment assessment of financial assets are set out in note 29.2.

8. FINANCE COSTS

	2020	2019
	HK$	*HK$*
Interest on lease liabilities	**118,247**	162,076

9. INCOME TAX EXPENSE

	2020	2019
	HK$	*HK$*
Current tax		
Macau SAR Complementary Tax	**–**	1,327,254

No provision for Macau SAR Complementary Tax has been made as the Company did not generate assessable profits arising in Macau SAR during the year ended 31 December 2020. The Group is subject to Macau SAR Complementary Tax at a rate of 12% on the assessable income exceeding MOP600,000 (equivalent to approximately HK$583,000) for the year ended 31 December 2019.

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.

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

	2020	2019
	HK$	*HK$*
Loss before tax	**(32,032,449)**	(1,721,768)
Tax credit at the income tax rate of 12%	**(3,843,894)**	(206,612)
Tax effect of income not taxable for tax purpose	**(30,683)**	(69,903)
Tax effect of expenses not deductible for tax purpose	**3,332,460**	1,269,116
Tax effect of unrecognised tax losses	**542,117**	334,653
Income tax expense for the year	**–**	1,327,254

9. INCOME TAX EXPENSE *(Continued)*

The Group assessed the impact of the application of IFRIC 23 in relation to (i) 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; and (ii) the impairment losses under ECL model in respect of finance lease receivables 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$3,945,000 in respective of the possible non-deductible expenses has been included in the above reconciliation for the year ended 31 December 2020 (2019: approximately HK$1,732,000) based on the most likely amount.

As at 31 December 2020, the Group has not recognised deferred tax assets in respect of tax losses of approximately MOP7,525,604 (equivalent to approximately HK$7,306,411) (2019: approximately MOP2,872,436 (equivalent to approximately HK$2,788,773), 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.

10. LOSS FOR THE YEAR

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

	2020	2019
	HK$	*HK$*
Staff costs (including directors' emoluments *(note 11)*):		
— Salaries and allowances	**13,443,541**	18,280,534
— Retirement benefits scheme contributions	**43,359**	42,291
	13,486,900	18,322,825
Lease charges:		
— Short term leases and leases with lease term shorter than 12 months as at initial application of IFRS 16	**234,296**	24,466
— COVID-19-related rent concessions received *(note) (note 6)*	**(24,600)**	–
Total lease charges	**209,696**	24,466
Depreciation:		
— Property and equipment	**1,861,892**	1,885,839
— Right-of-use assets	**1,376,498**	1,206,853
Total depreciation	**3,238,390**	3,092,692
Auditor's remuneration	**1,230,000**	1,554,500
Research and development costs recognised as an expense (included in operating expenses)	**78,350**	4,825,056
Cost of inventories recognised as expenses, including:	**25,421,315**	47,679,839
— Write-down of inventories to net realisable value	**1,995,487**	–
Loss on disposal of property and equipment	**646**	–
Write-off of deposit for property and equipment	**1,400,000**	–

Note: As disclosed in note 2, the Group has early adopted the Amendments to IFRS 16 "COVID-19-Related Rent Concessions" and applies the practical expedients introduced by the amendments to all eligible rent concessions received by the Group during the year.

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11. EMOLUMENTS OF DIRECTORS, CHIEF EXECUTIVE AND EMPLOYEES

11.1 Directors and chief executive

Directors' and chief executive's remunerations, disclosed pursuant to the GEM Listing Rules and disclosure requirements of the CO, is as follows:

	Executive directors			Independent non-executive directors			
	Mr. Huie *HK$* *(Note (a))*	Mr. Ng *HK$* *(Note (b))*	Mr. Chan *HK$* *(Note (c))*	Mr. Choi *HK$* *(Note (d))*	Mr. Ho *HK$* *(Note (d))*	Mr. Ma *HK$* *(Note (d))*	Total *HK$*
2020							
Directors' fee	**1,045,583**	**1**	**–**	**160,000**	**160,000**	**160,000**	**1,525,584**
Salaries and allowances	**–**	**1,134,385**	**864,933**	**–**	**–**	**–**	**1,999,318**
	1,045,583	**1,134,386**	**864,933**	**160,000**	**160,000**	**160,000**	**3,524,902**
2019							
Directors' fee	2,164,000	1	–	160,000	160,000	160,000	2,644,001
Salaries and allowances	–	1,236,893	840,000	–	–	–	2,076,893
Performance related bonus *(note (e))*	–	950,000	1,136,000	–	–	–	2,086,000
	2,164,000	2,186,894	1,976,000	160,000	160,000	160,000	6,806,894

Notes:

(a) Mr. Huie 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 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.

(c) Mr. Chan 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. Choi**"), Mr. Ho Kevin King Lun ("**Mr. Ho**") and Mr. Ma Chi Seng ("**Mr. Ma**") 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 Mr. Ng and Mr. Chan 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. EMOLUMENTS OF DIRECTORS, CHIEF EXECUTIVE AND EMPLOYEES *(Continued)*

11.2 Employees

The five highest paid individuals for the year ended 31 December 2020 included three (2019: three) directors, details of whose emoluments are set out in note 11.1 above. The aggregate emoluments of the remaining two (2019: two) individuals for the year ended 31 December 2020 were as follows:

	2020	2019
	HK$	*HK$*
Salaries and allowances	**2,131,262**	2,473,786
Retirement benefit scheme contributions	**1,398**	1,398
	2,132,660	2,475,184

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	
	2020	2019
	HK$	*HK$*
Emolument band		
HK$1,000,001 to HK$1,500,000	**2**	2

During the years ended 31 December 2020 and 2019, 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 2020, nor has any dividend been proposed since the end of the reporting period (2019: 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:

	2020	2019
	HK$	*HK$*
Loss		
Loss for the purpose of basic loss per share (loss for the year attributable to owners of the Company)	**(32,032,449)**	(3,049,022)

	2020	2019
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**1,000,000**	1,000,000

Diluted loss per share for the years ended 31 December 2020 and 2019 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 HK$	Furniture, fixtures and equipment HK$	Electrical equipment HK$	Computers HK$	Motor vehicles HK$	Total HK$
As at 1 January 2019						
Cost	4,516,351	563,748	261,947	1,127,544	488,000	6,957,590
Accumulated depreciation	(1,186,477)	(174,967)	(151,256)	(540,598)	(214,800)	(2,268,098)
Net book amount	3,329,874	388,781	110,691	586,946	273,200	4,689,492
Year ended 31 December 2019						
Opening net book amount	3,329,874	388,781	110,691	586,946	273,200	4,689,492
Additions	–	7,971	25,928	64,528	–	98,427
Depreciation	(1,425,255)	(96,316)	(55,160)	(211,508)	(97,600)	(1,885,839)
Closing net book amount	1,904,619	300,436	81,459	439,966	175,600	2,902,080
As at 31 December 2019 and 1 January 2020						
Cost	4,280,044	571,719	287,875	1,192,072	488,000	6,819,710
Accumulated depreciation	(2,375,425)	(271,283)	(206,416)	(752,106)	(312,400)	(3,917,630)
Net book amount	1,904,619	300,436	81,459	439,966	175,600	2,902,080
Year ended 31 December 2020						
Opening net book amount	1,904,619	300,436	81,459	439,966	175,600	2,902,080
Additions	–	15,835	33,729	37,320	–	86,884
Disposals	–	(1,811)	–	–	–	(1,811)
Depreciation	(1,425,254)	(94,167)	(49,669)	(195,202)	(97,600)	(1,861,892)
Closing net book amount	**479,365**	**220,293**	**65,519**	**282,084**	**78,000**	**1,125,261**
As at 31 December 2020						
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**

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% (over the lease term, whichever is shorter)
Furniture, fixtures and equipment	20%
Electrical equipment	20% — 33.33%
Computers	25%
Motor vehicles	20%

15. RIGHT-OF-USE ASSETS

	Carrying amount		**Depreciation**
	As at 31 December 2020	**As at 1 January 2020**	**For the year ended 31 December 2020**
	HK$	***HK$***	***HK$***
Office premises	**2,203,031**	**3,304,546**	**1,101,515**
Warehouse	**–**	**209,560**	**209,560**
Car parks	**21,807**	**87,230**	**65,423**
	2,224,838	**3,601,336**	**1,376,498**

	Carrying amount		Depreciation
	As at 31 December 2019	As at 1 January 2019	For the year ended 31 December 2019
	HK$	*HK$*	*HK$*
Office premises	3,304,546	4,406,061	1,101,515
Warehouse	209,560	–	39,916
Car parks	87,230	152,652	65,422
	3,601,336	4,558,713	1,206,853

The Group has obtained the right to use office premises, warehouse and car parks for its operations through tenancy agreements. Lease contracts are entered into for fixed term of 1 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 2020, there are no additions to right-of-use assets (2019: HK$249,476).

Details of the lease maturity analysis of lease liabilities are set out in notes 22 and 29.2.

16. FINANCE LEASE RECEIVABLES

During the year ended 31 December 2018, the Group sold certain electronic gaming equipment in finance lease agreements. The average terms of finance leases entered into are for 5 years. All interest rates inherent in the leases are fixed at the contract date over the lease terms.

Due to the outbreak of COVID-19, casino operations of the lessees are completely suspended since March 2020. Lease payments of finance lease receivables from the lessees are solely dependent on cash flows from their operations. It is uncertain when the operations of relevant casinos could be resumed. On 21 May 2020, the finance lease agreements were terminated in accordance with the terms of the finance lease agreements and the carrying amount of finance lease receivables at the date of termination of approximately HK$25,908,106 was determined uncollectible. Upon the termination, the Group exercised its right to demand the return of the electronic gaming equipment with the total fair value approximately HK$3,053,281 recognised as inventories. For details, please refer to the announcements of the Company dated 6 April and 21 May 2020, respectively.

16. FINANCE LEASE RECEIVABLES *(Continued)*

	2020	2019
	HK$	*HK$*
Representing:		
— Current	–	7,083,303
— Non-current	–	19,591,746
	–	26,675,049

	Minimum lease payments		**Present value of minimum lease payments**	
	2020	2019	**2020**	2019
	HK$	*HK$*	***HK$***	*HK$*
Finance lease receivables comprise:				
— Within one year	**22,988,870**	7,316,348	**22,988,870**	7,118,897
— In the second year	–	7,332,704	–	6,613,525
— In the third year	–	7,332,704	–	6,161,799
— In the fourth year	–	7,332,704	–	5,741,373
— In the fifth year	–	1,603,433	–	1,173,500
Gross investment in the lease	**22,988,870**	30,917,893	**22,988,870**	26,809,094
Less: Unearned finance income	–	(4,108,799)	–	–
Allowance for credit loss	**(22,988,870)**	(134,045)	**(22,988,870)**	(134,045)
Present value of minimum lease payment receivables	–	26,675,049	–	26,675,049

Effective interest rates of the above finance leases range from 6.0% to 8.0% per annum.

The Group is not exposed to foreign currency risk as a result of the lease arrangement as all leases are denominated in the functional currency of the Company.

Prior to entering sales under finance lease arrangement, the Group assesses the potential customer's credit quality. Sales under finance lease arrangement are required to an encumbrance on the leased assets to guarantee the repayment of the lease receivables. Depending on the customer's financial ability, the Group may also request third party undertakes and guarantees the finance lease receivables plus additional interest or penalty if the lessee defaults in payment of any sum under the lease agreements.

As at 31 December 2019, one of the leases is guaranteed by a third party entity.

Details of impairment assessment of financial assets are set out in note 29.2.

17. INVENTORIES

	2020 HK$	2019 HK$
Spare parts	**3,422,164**	4,301,216
Finished goods	**1,527,302**	3,008,859
Goods in transit	**3,517,433**	–
	8,466,899	7,310,075

18. TRADE AND OTHER RECEIVABLES

	2020 HK$	2019 HK$
Trade receivables on contracts with customers	**1,016,498**	11,764,374
Less: Allowance for credit loss	**(37,520)**	(26,152)
	978,978	11,738,222
Other receivables, prepayments and deposits		
— Purchase and trial products deposits to suppliers *(note)*	**4,448,271**	8,089,607
— Other prepayments and deposits	**871,783**	618,639
— Other receivables	**151,858**	902,160
— Rental deposits	**218,160**	210,305
	6,669,050	21,558,933
Representing:		
— Current	**6,462,490**	21,348,628
— Non-current	**206,560**	210,305
	6,669,050	21,558,933

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.

Note: As at 31 December 2020, the Group has paid HK$4,448,271 (2019: HK$8,089,607) on purchase and trial products deposits. The Group cooperated 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 expected to be utilised for purchase within one year.

18. TRADE AND OTHER RECEIVABLES *(Continued)*

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

	2020 **HK$**	2019 HK$
0 — 30 days	**783,090**	955,598
31 — 60 days	**19,116**	2,551,968
61 — 90 days	**168,289**	2,902,101
91 — 180 days	**1,702**	5,262,061
Over 180 days	**44,301**	92,646
	1,016,498	11,764,374

Details of impairment assessment of financial assets are set out in note 29.2.

19. PLEDGED BANK DEPOSIT/FIXED BANK DEPOSIT

As at 31 December 2020, fixed bank deposit carries interest rate at 0.13% per annum (2019: 0.13% per annum) with the original maturity over 3 months.

As at 31 December 2019, pledged bank deposit carries interest rate at 2.25% per annum. Pledged bank deposit represents deposit pledged to bank to secure banking facility granted to the Group. Deposit amounting to HK$5,127,639 has been pledged to secure future short-term bank loans for purchases of electronic gaming machines on that day and was therefore classified as current asset. The pledged bank deposit was released during the year ended 31 December 2020 due to the expiry of relevant bank borrowing facility.

Details of impairment assessment of financial assets are set out in note 29.2.

20. TRADE AND OTHER PAYABLES

	2020	2019
	HK$	*HK$*
Trade payables	**1,459,933**	8,240,763
Payroll payables and other accrued staff costs	**188,553**	1,519,494
Other payables and accrued expenses	**1,340,648**	3,122,591
Provision for restoration	**533,981**	533,981
	3,523,115	13,416,829

The credit period on trade payables ranges from 30 to 90 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:

	2020	2019
	HK$	*HK$*
0 — 30 days	**1,081,446**	1,261,947
31 — 60 days	**150,980**	4,137,704
61 — 90 days	**51,062**	770,853
Over 90 days	**176,445**	2,070,259
	1,459,933	8,240,763

21. CONTRACT LIABILITIES

	2020	2019
	HK$	*HK$*
Technical Sales and Distribution of Electronic Gaming Equipment	**695,587**	2,796,267
Consultancy and Technical Services	**–**	206,602
	695,587	3,002,869

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

Except for deposit forfeited from a customer of HK$207,626 which was recognised as other income (note 6), contract liabilities outstanding at the beginning of the year ended 31 December 2020 amounting to HK$2,795,243 (2019: Nil) have been recognised as revenue during the year ended 31 December 2020.

22. LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities:

	2020	2019
	HK$	*HK$*
Total minimum lease payments:		
— Due within one year	**1,103,600**	1,360,000
— Due in the second to fifth years	**1,080,000**	1,103,600
— Due after the fifth year	**–**	1,080,000
	2,183,600	3,543,600
Future finance charges on lease liabilities	**(90,528)**	(208,775)
Present value of lease liabilities	**2,093,072**	3,334,825

	2020	2019
	HK$	*HK$*
Present value of minimum lease payments:		
— Due within one year	**1,081,463**	1,333,685
— Due in the second to fifth years	**1,011,609**	1,033,963
— Due after the fifth year	**–**	967,177
	2,093,072	3,334,825
Less: Portion due within one year included under current liabilities	**(1,081,463)**	(1,333,685)
Portion due after one year included under non-current liability	**1,011,609**	2,001,140

During the year ended 31 December 2020, the total cash outflows for the leases are HK$1,569,696 (2019: HK$1,214,066).

23. UNDRAWN BORROWING FACILITY

As at the end of the reporting period, the Group has the following undrawn borrowing facility:

	2020	2019
	HK$	*HK$*
Variable rate		
— expiring within one year	**–**	10,000,000

During the year ended 31 December 2020, the borrowing facility was expired. The Group neither renews nor obtains any borrowing facility.

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24. 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 2020 and 2019, no option has been granted pursuant to the share option scheme.

25. SHARE CAPITAL

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

	2020		2019	
	Number of shares	**Nominal value** *HK$*	Number of shares	Nominal value *HK$*
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

26. LEASE COMMITMENTS

As lessee

As at 31 December 2020 and 2019, the lease commitments for short-term leases are as follows:

	2020 **HK$**	2019 HK$
Warehouse		
— Within one year	**210,000**	–

27. CAPITAL COMMITMENTS

	2020 **HK$**	2019 HK$
Contracted but not provided for:		
— Property and equipment	**199,223**	1,800,000

28. 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, pledged bank deposit, fixed bank deposit and equity attributable to owners of the Company, comprising issued share capital and reserves including accumulated 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.

29. FINANCIAL INSTRUMENTS

29.1 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:

	2020 HK$	2019 HK$
Financial assets at amortised cost		
— Finance lease receivables	–	26,675,049
— Rental deposits	218,160	210,305
— Trade and other receivables	1,148,817	12,653,314
— Pledged bank deposit	–	5,127,639
— Fixed bank deposit	40,253	40,203
— Bank balances and cash	48,207,999	43,594,183
	49,615,229	88,300,693
Financial liabilities at amortised cost		
— Trade and other payables	2,989,134	9,796,234
— Lease liabilities	2,093,072	3,334,825
	5,082,206	13,131,059

29.2 Financial risk management objectives and policies

The Group's major financial instruments include rental deposits, finance lease receivables, trade and other receivables, pledged bank deposit, fixed bank deposit, cash and bank balances, 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.

29. FINANCIAL INSTRUMENTS *(Continued)*

29.2 Financial risk management objectives and policies *(Continued)*

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.

Foreign currency denominated financial assets and liabilities, translated into HK$ at the closing rates, are as follows:

	HK$	MOP	EUR
	HK$	*HK$*	*HK$*
2020			
Rental deposits	**218,160**	**–**	**–**
Trade and other receivables	**94,625**	**836,624**	**–**
Fixed bank deposit	**–**	**40,253**	**–**
Bank balances and cash	**26,988,128**	**3,692,182**	**87,566**
Trade and other payables	**(201,034)**	**(1,133,860)**	**(167,509)**
Lease liabilities	**(2,093,072)**	**–**	**–**
Net exposure arising from recognised assets and liabilities	**25,006,807**	**3,435,199**	**(79,943)**
2019			
Rental deposits	210,305	–	–
Trade and other receivables	987,245	311,627	–
Pledged bank deposit	5,127,639	–	–
Fixed bank deposit	–	40,203	–
Bank balances and cash	22,321,509	15,852,106	921,322
Trade and other payables	(938,689)	(669,083)	(6,642,207)
Lease liabilities	(3,334,825)	–	–
Net exposure arising from recognised assets and liabilities	24,373,184	15,534,853	(5,720,885)

29. FINANCIAL INSTRUMENTS *(Continued)*

29.2 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 in loss after income tax *HK$*	Increase in equity *HK$*
2020			
EUR	**5%**	**3,517**	**3,517**
2019			
EUR	5%	251,719	251,719

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 and finance lease receivables. The exposure to interest rates for the Group's short-term bank deposits is considered immaterial.

29. FINANCIAL INSTRUMENTS *(Continued)*

29.2 Financial risk management objectives and policies *(Continued)*

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, finance lease receivables, trade and other receivables, pledged bank deposit, fixed bank deposit and bank balances.

As at 31 December 2019, the Group does not hold any collateral or other credit enhancements to cover its credit risks associated with finance lease receivables as such credit risks are mitigated because sales under finance lease arrangement are required to an encumbrance on the leased assets to guarantee the repayment of the lease receivables, and one of the leases is guaranteed by a third party entity.

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:

Finance lease receivables and trade receivables

As at 31 December 2020, the Group has concentration of credit risk as 47.9% (2019: 46.4%) and 95.5% (2019: 97.2%) of the total of finance lease receivables and trade receivables was due from the Group's largest lessee/debtor and the five largest lessees/debtors respectively where the balances are mainly generated from lease sales and 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 finance lease receivables and 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.

29. FINANCIAL INSTRUMENTS *(Continued)*

29.2 Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

Rental deposits/other receivables/pledged bank deposit/fixed bank deposit/bank balances

For other financial assets at amortised cost mainly comprise of rental deposits, other receivables, pledged bank deposit, 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 pledged bank deposit, 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.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Finance lease receivables/ 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
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL — credit-impaired	Lifetime ECL — 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

29. FINANCIAL INSTRUMENTS *(Continued)*

29.2 Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

Rental deposits/other receivables/pledged bank deposit/fixed bank deposit/bank balances (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 2020 HK$	2019 HK$
Rental deposits	(a)	N/A	Low risk	12-month ECL	**218,160**	210,305
Finance lease receivables	(b)	N/A	Loss (2019: Low risk)	Lifetime ECL (provision matrix)	**22,988,870**	26,809,094
Trade receivables	(b)	N/A	Very low risk	Lifetime ECL (provision matrix)	**139,458**	298,945
			Low risk		**832,739**	11,465,429
			High risk		**11,471**	–
			Loss		**32,830**	–
Other receivables and deposits	(a)	N/A	N/A	12-month ECL	**169,839**	209,946
			Low risk		**–**	705,146
Pledged bank deposit		AA+	N/A	12-month ECL	**–**	5,127,639
Fixed bank deposit		AA+	N/A	12-month ECL	**40,253**	40,203
Bank balances		AA+	N/A	12-month ECL	**48,207,999**	43,594,183

29. FINANCIAL INSTRUMENTS *(Continued)*

29.2 Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

Rental deposits/other receivables/pledged bank deposit/fixed bank deposit/bank balances (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$*
2020			
Rental deposits	**–**	**218,160**	**218,160**
Other receivables and deposits	**–**	**169,839**	**169,839**
	–	**387,999**	**387,999**
2019			
Rental deposits	–	210,305	210,305
Other receivables and deposits	705,146	209,946	915,092
	705,146	420,251	1,125,397

(b) For finance lease receivables and trade receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the expected credit losses on these items by using a provision matrix, grouped by internal credit rating.

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 finance lease receivables and trade receivables which are assessed based on provision matrix at the end of the reporting period within lifetime ECL.

	Average loss rate	Finance lease receivables *HK$*	Trade receivables *HK$*
2020			
Very low risk	**0.01%**	**–**	**139,458**
Low risk	**0.1%-0.5%**	**–**	**832,739**
High risk	**10.0%**	**–**	**11,471**
Loss	**100.0%**	**22,988,870**	**32,830**
		22,988,870	**1,016,498**
2019			
Very low risk	0.01%	–	298,945
Low risk	0.1%-0.5%	26,809,094	11,465,429
		26,809,094	11,764,374

29. FINANCIAL INSTRUMENTS *(Continued)*

29.2 Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

Provision matrix — internal credit rating (Continued)

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.

Movement in the allowance for credit loss:

	Finance lease receivables *HK$*	Trade receivables *HK$*	Total *HK$*
As at 1 January 2019	152,734	114,056	266,790
Impairment losses under ECL model, net of reversal	(18,689)	(87,904)	(106,593)
As at 31 December 2019 and 1 January 2020	134,045	26,152	160,197
Impairment losses under ECL model, net of reversal *(note 7)*	22,854,825	11,368	22,866,193
As at 31 December 2020	**22,988,870**	**37,520**	**23,026,390**

As at 31 December 2020, the Group provided HK$22,988,870 and HK$37,520 (2019: HK$134,045 and HK$26,152) allowance for credit loss for finance lease receivables and trade receivables respectively, based on the provision matrix.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier.

29. FINANCIAL INSTRUMENTS *(Continued)*

29.2 Financial risk management objectives and policies *(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$
2020					
Trade and other payables	**–**	**2,989,134**	**–**	**2,989,134**	**2,989,134**
Lease liabilities	**4.50%**	**1,103,600**	**1,080,000**	**2,183,600**	**2,093,072**
		4,092,734	**1,080,000**	**5,172,734**	**5,082,206**
2019					
Trade and other payables	–	9,796,234	–	9,796,234	9,796,234
Lease liabilities	4.41%	1,360,000	2,183,600	3,543,600	3,334,825
		11,156,234	2,183,600	13,339,834	13,131,059

29.3. 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, 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 or value in use in IAS 36.

29. FINANCIAL INSTRUMENTS *(Continued)*

29.3. 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.

30. 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.

	2020 HK$	2019 HK$
Lease liabilities		
As at 1 January	**3,334,825**	4,114,217
Changes from financing cash flows:		
— Capital element of lease rentals paid	**(1,217,153)**	(1,027,524)
— Interest element of lease rentals paid	**(118,247)**	(162,076)
Total changes from financing cash flows	**(1,335,400)**	(1,189,600)
Other changes:		
— COVID-19-related rent concessions received *(note 6)*	**(24,600)**	–
— Entering into new lease	**–**	248,132
— Interest expenses	**118,247**	162,076
Total other changes	**93,647**	410,208
As at 31 December	**2,093,072**	3,334,825

31. 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 2020, the total compensation of other key management members who are not directors of the Company is HK$2,662,000 (2019: HK$3,053,842).

32. PARTICULARS OF SUBSIDIARIES

Details of the Company's subsidiaries at the end of reporting period are set as follows:

Name of subsidiaries	Place and date of incorporation/ establishment	Issued fully and paid capital/ registered capital	Shareholding/equity interest attributable to the Company		Principal activities
			2020	2019	
Directly held:					
APE BVI	British Virgin Islands 14 November 2005	US$75,000	**100%**	100%	Investment holding
APE Special 1 Limited	British Virgin Islands 28 November 2016	US$1	**100%**	100%	Investment holding
APE Special 2 Limited	British Virgin Islands 28 November 2016	US$1	**100%**	100%	Investment holding
Indirectly held:					
Asia Pioneer Entertainment Limited	Macau SAR 24 May 2006	MOP1,000,000	**100%**	100%	Technical sales and distribution, consultancy and repair services of gaming machines
APE Sports and Entertainment Limited	Macau SAR 30 July 2020	MOP1,000,000	**100% *(note)***	N/A	Sports and sports-related entertainment businesses

Note: 0.1% of shareholding is held by Mr. Ng on behalf of APE BVI.

None of the subsidiaries had issued any debt securities at the end of the reporting period.

33. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2020 *HK$*	2019 *HK$*
ASSETS AND LIABILITIES		
Non-current asset		
Investments in subsidiaries	6,553,653	6,553,653
Current assets		
Other receivables	293,608	329,021
Amount due from a subsidiary	–	28,700,083
Pledged bank deposit	–	5,127,639
Bank balances	15,302,276	15,218,835
	15,595,884	49,375,578
Current liabilities		
Other payables	173,487	1,053,897
Amounts due to subsidiaries	15,156,398	15,156,398
	15,329,885	16,210,295
Net current assets	265,999	33,165,283
Net assets	6,819,652	39,718,936
EQUITY		
Share capital	10,000,000	10,000,000
Reserves	(3,180,348)	29,718,936
Total equity	6,819,652	39,718,936

Movement in the Company's reserves is as follows:

	Share premium *HK$*	Accumulated loss *HK$*	Total *HK$*
As at 1 January 2019	55,098,836	(18,533,595)	36,565,241
Loss and total comprehensive expense for the year	–	(6,846,305)	(6,846,305)
As at 31 December 2019 and 1 January 2020	55,098,836	(25,379,900)	29,718,936
Loss and total comprehensive expense for the year	–	(32,899,284)	(32,899,284)
As at 31 December 2020	**55,098,836**	**(58,279,184)**	**(3,180,348)**