

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



Asia Pioneer Entertainment Holdings Limited

亞洲先鋒娛樂控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8400)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

The board of directors (the “**Directors**”) of Asia Pioneer Entertainment Holdings Limited (the “**Company**”) and together with its subsidiaries, the “**Group**”) announces the unaudited condensed consolidated financial results of the Group for the six months ended 30 June 2023 (the “**Period**”). This announcement, containing the full text of the 2023 interim report of the Company (the “**2023 Interim Report**”), complies with the relevant requirements of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) in relation to the information to accompany the preliminary announcement of interim results. The printed version of the 2023 Interim Report containing the information required by the GEM Listing Rules will be despatched to the shareholders of the Company and available for viewing on the websites of the Stock Exchange at www.hkexnews.hk and of the Company at www.apemacau.com in due course in the manner as required by the GEM Listing Rules.

For and on behalf of

Asia Pioneer Entertainment Holdings Limited

HUIE, Allen Tat Yan

Chairman and Executive Director

Hong Kong, 11 August 2023

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

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the “Latest Listed Company Information” page of the website of the Stock Exchange at www.hkexnews.hk 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.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

*This report, for which the directors of Asia Pioneer Entertainment Holdings Limited (the “**Company**” and together with its subsidiaries, the “**Group**” and the “**Directors**”, respectively) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*



Asia Pioneer Entertainment Holdings Limited ~ Interim Report 2023

CONTENTS

2023 INTERIM RESULTS HIGHLIGHTS (UNAUDITED)	2
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	3
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION	4
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	5
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS	6
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS	7
MANAGEMENT DISCUSSION AND ANALYSIS	28
DISCLOSURE OF INTERESTS	36
CORPORATE GOVERNANCE AND OTHER INFORMATION	38

2023 INTERIM RESULTS HIGHLIGHTS (UNAUDITED)

The board of Directors (the “**Board**”) announces the unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2023 (the “**Period**”), together with the unaudited corresponding figures for the six months ended 30 June 2022 (the “**Corresponding Period**”). The Group’s revenue increased by 185.4% from approximately HK\$2.7 million for the Corresponding Period to approximately HK\$7.7 million for the Period.

During the Period, the Group’s gross loss decreased from approximately HK\$0.9 million for the Corresponding Period to gross profit of approximately HK\$0.3 million for the Period. The Group’s gross profit margin also increased to gross profit margin of 3.9% for the Period compared to gross loss margin of 32.7% for the Corresponding Period.

The Group’s operating expenses decreased by 13.2% over the Period to approximately HK\$7.2 million (Corresponding Period: approximately HK\$8.3 million). This was primarily due to the decreases in operating and staff costs.

The Group’s total comprehensive loss for the Period decreased to approximately HK\$7.1 million (Corresponding Period: approximately HK\$9.8 million), mainly due to the increase in revenue.

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	Notes	Three months ended 30 June		Six months ended 30 June	
		2023 HK\$ (unaudited)	2022 HK\$ (unaudited)	2023 HK\$ (unaudited)	2022 HK\$ (unaudited)
Revenue	3	5,910,374	1,367,958	7,673,841	2,688,363
Cost of sales		(5,347,093)	(2,017,230)	(7,373,324)	(3,566,472)
Gross profit/(loss)		563,281	(649,272)	300,517	(878,109)
Other income, gains and losses	4	30,611	43,464	103,525	12,827
Write-down of inventories to net realisable value		(293,991)	(536,298)	(300,065)	(536,298)
Impairment (losses)/reversal under expected credit loss ("ECL") model, net	5	(598)	(3,962)	306	1,948
Operating expenses		(3,645,532)	(4,318,412)	(7,207,338)	(8,305,157)
Finance costs		(13,271)	(30,996)	(28,049)	(55,931)
Loss before income tax		(3,359,500)	(5,495,476)	(7,131,104)	(9,760,720)
Income tax expense	6	–	–	–	–
Loss and total comprehensive expense for the period	7	(3,359,500)	(5,495,476)	(7,131,104)	(9,760,720)
		<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>
Loss per share					
Basic and diluted	9	(0.34)	(0.55)	(0.71)	(0.98)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	Notes	As at 30 June 2023 HK\$ (unaudited)	As at 31 December 2022 HK\$ (audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property and equipment	10	2,004,962	2,302,207
Right-of-use assets	11	843,582	790,290
Deposit for property and equipment		224,040	224,040
Rental deposits	13	170,232	155,062
		3,242,816	3,471,599
Current assets			
Inventories	12	2,229,001	2,617,709
Trade and other receivables	13	6,974,174	6,706,291
Fixed bank deposit		40,408	40,384
Bank balances and cash		8,921,599	12,844,980
		18,165,182	22,209,364
Current liabilities			
Trade and other payables	14	3,650,808	2,894,701
Contract liabilities	15	2,254,884	56,094
Lease liabilities		617,677	696,200
Income tax payable		3,403,573	3,403,573
		9,926,942	7,050,568
Net current assets		8,238,240	15,158,796
Total assets less current liabilities		11,481,056	18,630,395
Non-current liability			
Lease liabilities		343,366	361,601
Net assets		11,137,690	18,268,794
EQUITY			
Share capital	17	10,000,000	10,000,000
Reserves		1,137,690	8,268,794
Total equity		11,137,690	18,268,794

The condensed consolidated interim financial statements on pages 3 to 27 were approved and authorised for issue by the Board on 11 August 2023 and are signed on its behalf by:

Mr. Huie, Allen Tat Yan
Director

Mr. Ng Man Ho Herman
Director

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

	Share capital <i>HK\$</i>	Share premium* <i>HK\$</i>	Merger reserve* <i>HK\$</i> (Note (a))	Legal reserve* <i>HK\$</i> (Note (b))	Accumulated losses* <i>HK\$</i>	Total <i>HK\$</i>
As at 1 January 2023 (audited)	10,000,000	55,098,836	(3,416,148)	504,489	(43,918,383)	18,268,794
Loss and total comprehensive expense for the period	-	-	-	-	(7,131,104)	(7,131,104)
Balance as at 30 June 2023 (unaudited)	10,000,000	55,098,836	(3,416,148)	504,489	(51,049,487)	11,137,690
As at 1 January 2022 (audited)	10,000,000	55,098,836	(3,416,148)	504,489	(29,177,022)	33,010,155
Loss and total comprehensive expense for the period	-	-	-	-	(9,760,720)	(9,760,720)
Balance as at 30 June 2022 (unaudited)	10,000,000	55,098,836	(3,416,148)	504,489	(38,937,742)	23,249,435

* The reserves accounts comprise the Group's reserves of HK\$1,137,690 as at 30 June 2023 (31 December 2022: HK\$8,268,794) in the condensed consolidated statement of financial position.

Notes:

- (a) The balance of merger reserve represented the share capital of a subsidiary prior to the group reorganisation as part of initial public offering of the Company (the "**Reorganisation**") and the difference between the nominal value of the shares of the Company issued for the acquisition of that subsidiary and the carrying amount of total equity of that subsidiary at the date of completion of the Reorganisation.
- (b) In accordance with provision of the Macau Commercial Code, the Group's subsidiaries incorporated in the Macau Special Administrative Region ("**Macau SAR**") are required to transfer a minimum of 25% of the profit after taxation each year to the legal reserve until the balance meets 50% of their registered capital. The reserve is not distributable to shareholders (the "**Shareholders**").

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023 HK\$ (unaudited)	2022 HK\$ (unaudited)
Net cash used in operating activities	(3,534,443)	(8,193,570)
Investing activities		
Interest received	21,844	247
Placement of fixed bank deposit	(24)	(80)
Purchase of property and equipment	(8,571)	(791,022)
Deposit for property and equipment	–	(20,619)
Net cash from/(used in) investing activities	13,249	(811,474)
Financing activities		
Repayments of lease liabilities	(402,187)	(964,747)
Net cash used in financing activities	(402,187)	(964,747)
Net decrease in cash and cash equivalents	(3,923,381)	(9,969,791)
Cash and cash equivalents at the beginning of the period	12,844,980	29,874,470
Cash and cash equivalents at the end of the period	8,921,599	19,904,679

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023

1. GENERAL INFORMATION AND BASIS OF PREPARATION

Asia Pioneer Entertainment Holdings Limited (the “**Company**”) is a limited liability company incorporated in the Cayman Islands on 22 February 2017. The address of the Company’s registered office is Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands. The principal place of business of the Company in Macau 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 (the “**Listing Date**” and the “**Listing**”, respectively).

As at 30 June 2023, Mr. Huie, Allen Tat Yan, Mr. Ng Man Ho Herman and Mr. Chan Chi Lun collectively are the substantial shareholders of the Company.

The Company is an investment holding company. The Company and its subsidiaries (collectively, the “**Group**”) are principally engaged in:

- (a) the electronic gaming equipment business (the “**EGE Business**”) in the Macau SAR as well as other regions in Asia, which can be divided into three divisions:
 - (i) procurement, distribution, assistance in fulfilling the requirement from relevant government authorities and installation of electronic gaming equipment and spare parts and the related after sales services to casino operators (“**Technical Sales and Distribution of Electronic Gaming Equipment**”);
 - (ii) the provision of consultancy services to manufacturers of electronic gaming equipment including (a) regulatory consultancy; (b) product design and content consultancy; (c) localisation consultancy; and (d) on-site consultancy (“**Consultancy and Technical Services**”); and
 - (iii) the provision of repair services to casino operators (“**Repair Services**”).
- (b) the smart vending machines (“**Smart VM**”) business (the “**Smart VM Business**”) in the Macau SAR and the People’s Republic of China (the “**PRC**”), which can be divided into two divisions:
 - (i) sales of various Macau sourced products to consumers and travellers through Smart VM (“**Product Sales through Smart VM**”); and
 - (ii) leasing of Smart VM (“**Leasing of Smart VM**”).



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023

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

The condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” issued by the International Accounting Standards Board (“IASB”) and the applicable disclosure requirements of the Rules Governing the Listing of Securities on GEM of the Stock Exchange. The condensed consolidated interim financial statements do not include all of the information required in annual consolidated financial statements and should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 December 2022.

The condensed consolidated interim financial statements are presented in Hong Kong dollars (“HK\$”), while the functional currency of the Company is United States dollars (“US\$”) as it is the currency of the primary economic environment in which the group entities operate.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated interim financial statements have been prepared on the historical cost basis. Other than additional accounting policies resulting from application of amendments to International Financial Reporting Standards (“IFRSs”) and application of certain accounting policies which became relevant to the Group, the accounting policies and methods of computation used in the condensed consolidated interim financial statements for the six months ended 30 June 2023 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2022.

Amended IFRSs that are effective for annual period beginning on 1 January 2023

The condensed consolidated interim financial statements for the six months ended 30 June 2023 have been prepared in accordance with the accounting policies adopted in the Group’s annual consolidated financial statements for the year ended 31 December 2022, except for the adoption of the following new or amended IFRSs which are effective as of 1 January 2023.

IFRS 17	Insurance Contracts with related amendments
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform — Pillar Two Model Rules

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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

Issued but not yet effective IFRSs

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

Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback ¹
Amendments to IAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 ¹
Amendments to IAS 1	Non-current Liabilities with Covenants ¹

¹ Effective for annual periods beginning on or after 1 January 2024

² Effective date not yet determined

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

3. REVENUE AND SEGMENT INFORMATION

3.1 Revenue

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023

3. REVENUE AND SEGMENT INFORMATION (Continued)

3.1 Revenue (Continued)

Disaggregation of revenue

The Group derives revenue from the transfer of goods and services over time and at a point in time, details of the Group's primary geographical markets and timing of revenue recognition during the six months ended 30 June 2023 and 2022 were as follows:

	EGE Business			Smart VM Business		Total HK\$ (unaudited)
	Technical Sales and Distribution of Electronic Gaming Equipment HK\$ (unaudited)	Consultancy and Technical Services HK\$ (unaudited)	Repair Services HK\$ (unaudited)	Product Sales through Smart VM HK\$ (unaudited)	Leasing of Smart VM HK\$ (unaudited)	
For the six months ended 30 June 2023						
Revenue from contracts with customers						
within the scope of HKFRS 15						
Technical Sales and Distribution of Electronic Gaming Equipment						
— Spare parts	4,770,742	-	-	-	-	4,770,742
Consultancy and Technical Services						
— Technical supports	-	474,144	-	-	-	474,144
— Consultancy services	-	669,662	-	-	-	669,662
	-	1,143,806	-	-	-	1,143,806
Repair Services						
	-	-	617,546	-	-	617,546
Product Sales through Smart VM						
— Sale of own goods	-	-	-	1,116,388	-	1,116,388
— Consignment sale	-	-	-	10,990	-	10,990
	-	-	-	1,127,378	-	1,127,378
	4,770,742	1,143,806	617,546	1,127,378	-	7,659,472
Revenue from other sources not within the scope of HKFRS 15						
Leasing of Smart VM	-	-	-	-	14,369	14,369
Total	4,770,742	1,143,806	617,546	1,127,378	14,369	7,673,841
Revenue from contracts with customers within the scope of HKFRS 15						
Geographical markets						
Macau SAR	1,929,222	1,143,806	617,546	1,126,009	-	4,816,583
Taiwan	2,606,589	-	-	-	-	2,606,589
Philippines	75,497	-	-	-	-	75,497
South Korea	84,445	-	-	-	-	84,445
The PRC	74,989	-	-	1,369	-	76,358
Total	4,770,742	1,143,806	617,546	1,127,378	-	7,659,472
Timing of revenue recognition						
At a point in time	4,770,742	24,000	617,546	1,127,378	-	6,539,666
Over time	-	1,119,806	-	-	-	1,119,806
Total	4,770,742	1,143,806	617,546	1,127,378	-	7,659,472
Revenue from other sources not within the scope of HKFRS 15						
Geographical markets						
Macau SAR	-	-	-	-	14,369	14,369
Leasing of Smart VM	-	-	-	-	14,369	14,369

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023

3. REVENUE AND SEGMENT INFORMATION (Continued)

3.1 Revenue (Continued)

Disaggregation of revenue (Continued)

	EGE Business			Smart VM Business	
	Technical Sales and Distribution of Electronic Gaming Equipment HK\$ (unaudited)	Consultancy and Technical Services HK\$ (unaudited)	Repair Services HK\$ (unaudited)	Product Sales through Smart VM HK\$ (unaudited)	Total HK\$ (unaudited)
For the six months ended 30 June 2022					
Revenue from contracts with customers within the scope of HKFRS 15					
Technical Sales and Distribution of Electronic Gaming Equipment					
— Spare parts	612,056	—	—	—	612,056
Consultancy and Technical Services					
— Technical supports	—	715,547	—	—	715,547
— Consultancy services	—	638,336	—	—	638,336
	—	1,353,883	—	—	1,353,883
Repair Services	—	—	251,083	—	251,083
Product Sales through Smart VM					
— Sale of own goods	—	—	—	464,759	464,759
— Consignment sale	—	—	—	6,582	6,582
	—	—	—	471,341	471,341
Total	612,056	1,353,883	251,083	471,341	2,688,363
Geographical markets					
Macau SAR	462,656	1,353,883	251,083	444,870	2,512,492
South Korea	74,484	—	—	—	74,484
The PRC	20,120	—	—	26,471	46,591
Others	54,796	—	—	—	54,796
Total	612,056	1,353,883	251,083	471,341	2,688,363
Timing of revenue recognition					
At a point in time	612,056	46,038	251,083	471,341	1,380,518
Over time	—	1,307,845	—	—	1,307,845
Total	612,056	1,353,883	251,083	471,341	2,688,363

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023

3. REVENUE AND SEGMENT INFORMATION (Continued)

3.1 Revenue (Continued)

Disaggregation of revenue (Continued)

	EGE Business			Smart VM Business		Total HK\$ (unaudited)
	Technical Sales and Distribution of Electronic Gaming Equipment HK\$ (unaudited)	Consultancy and Technical Services HK\$ (unaudited)	Repair Services HK\$ (unaudited)	Product Sales through Smart VM HK\$ (unaudited)	Leasing of Smart VM HK\$ (unaudited)	
For the three months ended 30 June 2023						
Revenue from contracts with customers within the scope of HKFRS 15						
Technical Sales and Distribution of Electronic Gaming Equipment						
— Spare parts	4,551,913	-	-	-	-	4,551,913
Consultancy and Technical Services						
— Technical supports	-	276,505	-	-	-	276,505
— Consultancy services	-	297,290	-	-	-	297,290
	-	573,795	-	-	-	573,795
Repair Services						
	-	-	257,230	-	-	257,230
Product Sales through Smart VM						
— Sale of own goods	-	-	-	507,378	-	507,378
— Consignment sale	-	-	-	5,689	-	5,689
	-	-	-	513,067	-	513,067
	4,551,913	573,795	257,230	513,067	-	5,896,005
Revenue from other sources not within the scope of HKFRS 15						
Leasing of Smart VM	-	-	-	-	14,369	14,369
Total	4,551,913	573,795	257,230	513,067	14,369	5,910,374
Revenue from contracts with customers within the scope of HKFRS 15						
Geographical markets						
Macau SAR	1,768,320	573,795	257,230	513,067	-	3,112,412
Taiwan	2,604,756	-	-	-	-	2,604,756
Philippines	19,403	-	-	-	-	19,403
South Korea	84,445	-	-	-	-	84,445
The PRC	74,989	-	-	-	-	74,989
Total	4,551,913	573,795	257,230	513,067	-	5,896,005
Timing of revenue recognition						
At a point in time	4,551,913	14,400	257,230	513,067	-	5,336,610
Over time	-	559,395	-	-	-	559,395
Total	4,551,913	573,795	257,230	513,067	-	5,896,005
Revenue from other sources not within the scope of HKFRS 15						
Geographical markets						
Macau SAR	-	-	-	-	14,369	14,369
Leasing of Smart VM	-	-	-	-	14,369	14,369

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023

3. REVENUE AND SEGMENT INFORMATION (Continued)

3.1 Revenue (Continued)

Disaggregation of revenue (Continued)

	EGE Business			Smart VM Business	Total HK\$ (unaudited)
	Technical Sales and Distribution of Electronic Gaming Equipment HK\$ (unaudited)	Consultancy and Technical Services HK\$ (unaudited)	Repair Services HK\$ (unaudited)	Product Sales through Smart VM HK\$ (unaudited)	
For the three months ended 30 June 2022					
Revenue from contracts with customers within the scope of HKFRS 15					
Technical Sales and Distribution of Electronic Gaming Equipment					
— Spare parts	173,682	–	–	–	173,682
Consultancy and Technical Services					
— Technical supports	–	504,270	–	–	504,270
— Consultancy services	–	245,639	–	–	245,639
	–	749,909	–	–	749,909
Repair Services	–	–	118,872	–	118,872
Product Sales through Smart VM					
— Sale of own goods	–	–	–	321,373	321,373
— Consignment sale	–	–	–	4,122	4,122
	–	–	–	325,495	325,495
Total	173,682	749,909	118,872	325,495	1,367,958
Geographical markets					
Macau SAR	79,078	749,909	118,872	306,505	1,254,364
South Korea	74,484	–	–	–	74,484
The PRC	20,120	–	–	18,990	39,110
Total	173,682	749,909	118,872	325,495	1,367,958
Timing of revenue recognition					
At a point in time	173,682	22,800	118,872	325,495	640,849
Over time	–	727,109	–	–	727,109
Total	173,682	749,909	118,872	325,495	1,367,958

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023

3. REVENUE AND SEGMENT INFORMATION (Continued)

3.2 Segment information

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

	EGE Business HK\$ (unaudited)	Smart VM Business HK\$ (unaudited)	Total HK\$ (unaudited)
For the six months ended 30 June 2023			
Reportable segment revenue			
— From external customers	6,532,094	1,141,747	7,673,841
Reportable segment results (Note)	(4,967,542)	(617,077)	(5,584,619)
Unallocated corporate income			21,419
Unallocated corporate expenses			(1,567,904)
Loss before income tax			(7,131,104)
For the six months ended 30 June 2022			
Reportable segment revenue			
— From external customers	2,217,022	471,341	2,688,363
Reportable segment results (Note)	(6,161,224)	(1,056,115)	(7,217,339)
Unallocated corporate income			74
Unallocated corporate expenses			(2,543,455)
Loss before income tax			(9,760,720)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023

3. REVENUE AND SEGMENT INFORMATION (Continued)

3.2 Segment information (Continued)

Note:

	EGE Business HK\$ (unaudited)	Smart VM Business HK\$ (unaudited)	Unallocated HK\$ (unaudited)	Total HK\$ (unaudited)
For the six months ended				
30 June 2023				
Amounts included in the				
measure of segment results				
— Bank interest income	414	10	21,420	21,844
— Net foreign exchange gains/ (losses)	15,564	(1,256)	—	14,308
— Depreciation of property and equipment	(12,352)	(293,464)	—	(305,816)
— Depreciation of right-of-use assets	—	(280,656)	—	(280,656)
— Reversal of impairment losses under ECL model, net	306	—	—	306
— Effective interest income on rental deposits	293	—	—	293
— Finance costs	(3,526)	(24,523)	—	(28,049)
— Write-down of inventories to net realisable value	(292,252)	(7,813)	—	(300,065)
Other segment item				
Additions to non-current assets	8,571	420,263	—	428,834
As at 30 June 2023				
Segment assets	13,071,264	3,853,038	4,483,696	21,407,998
Segment liabilities	8,663,341	1,141,620	465,347	10,270,308

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023

3. REVENUE AND SEGMENT INFORMATION (Continued)

3.2 Segment information (Continued)

Note: (Continued)

	EGE Business HK\$ (unaudited)	Smart VM Business HK\$ (unaudited)	Unallocated HK\$ (unaudited)	Total HK\$ (unaudited)
For the six months ended				
30 June 2022				
Amounts included in the measure of segment results				
— Bank interest income	140	33	74	247
— Net foreign exchange loss	(24,671)	(21,256)	–	(45,927)
— Depreciation of property and equipment	(1,732)	(254,982)	–	(256,714)
— Depreciation of right-of-use assets	–	(326,971)	–	(326,971)
— Reversal of impairment losses under ECL model, net	1,948	–	–	1,948
— Effective interest income on rental deposits	3,701	–	–	3,701
— Finance costs	(27,793)	(28,138)	–	(55,931)
— Write-down of inventories to net realisable value	(536,298)	–	–	(536,298)
Other segment item				
Additions to non-current assets	13,860	1,877,053	–	1,890,913
As at 31 December 2022				
Segment assets	14,261,423	3,893,604	7,525,936	25,680,963
Segment liabilities	6,182,469	971,762	257,938	7,412,169

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023

4. OTHER INCOME, GAINS AND LOSSES

	Three months ended		Six months ended	
	30 June		30 June	
	2023	2022	2023	2022
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Other income				
Bank interest income	11,385	84	21,844	247
COVID-19-related rent concessions	5,476	37,748	54,883	37,748
Effective interest income on rental deposits	146	1,851	293	3,701
Gain on lease modification upon termination of lease	–	5,001	1,685	5,001
Others	7,491	11,494	10,512	12,057
	24,498	56,178	89,217	58,754
Other gains and losses				
Net foreign exchange gains/ (losses)	6,113	(12,714)	14,308	(45,927)
	30,611	43,464	103,525	12,827

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023

5. IMPAIRMENT (LOSSES)/REVERSAL UNDER ECL MODEL, NET

	Three months ended		Six months ended	
	30 June		30 June	
	2023	2022	2023	2022
	HK\$	HK\$	HK\$	HK\$
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Impairment (losses)/reversal under ECL model on trade receivables, net	(598)	(3,962)	306	1,948

6. INCOME TAX EXPENSE

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023

7. LOSS FOR THE PERIOD

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

	Three months ended 30 June		Six months ended 30 June	
	2023 HK\$ (unaudited)	2022 HK\$ (unaudited)	2023 HK\$ (unaudited)	2022 HK\$ (unaudited)
Directors' remunerations	470,318	779,860	1,181,288	1,559,720
Other staff costs				
— Salaries and allowances	1,609,429	2,354,680	3,696,408	4,722,277
— Retirement benefits scheme contributions (<i>note</i>)	9,427	11,534	18,136	23,301
	2,089,174	3,146,074	4,895,832	6,305,298
Lease charges:				
— Short term leases	337,724	179,577	722,880	322,143
— COVID-19-related rent concessions received	(5,476)	(37,748)	(54,883)	(37,748)
Total lease charges	332,248	141,829	667,997	284,395
Depreciation:				
— Property and equipment	152,997	144,031	305,816	256,714
— Right-of-use assets	141,478	228,158	280,656	326,971
Total depreciation	294,475	372,189	586,472	583,685
Auditor's remuneration	296,884	323,009	500,767	556,019
Cost of inventories recognised as an expense, included in "cost of sales"	4,097,816	270,496	4,525,542	589,209

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023

8. DIVIDEND

No dividend was paid or proposed for the current interim period, nor has any dividend been proposed since the end of the reporting period (2022: Nil).

9. LOSS PER SHARE

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

	Three months ended 30 June		Six months ended 30 June	
	2023 HK\$ (unaudited)	2022 HK\$ (unaudited)	2023 HK\$ (unaudited)	2022 HK\$ (unaudited)
Loss				
Loss for the period attributable to the owners of the Company	(3,359,500)	(5,495,476)	(7,131,104)	(9,760,720)
	'000	'000	'000	'000
Number of shares				
Weighted average number of ordinary shares	1,000,000	1,000,000	1,000,000	1,000,000
	HK cents	HK cents	HK cents	HK cents
Basic loss per share	(0.34)	(0.55)	(0.71)	(0.98)

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023

10. PROPERTY AND EQUIPMENT

	As at 30 June 2023 HK\$ (unaudited)	As at 31 December 2022 HK\$ (audited)
Carrying values		
Computers	113,677	125,045
Motor vehicles	117,600	134,400
Vending machines	1,773,685	2,042,762
	2,004,962	2,302,207

During the current interim period, property and equipment of HK\$8,571 is acquired (2022: HK\$1,041,870).

11. RIGHT-OF-USE ASSETS

	Carrying amount		Depreciation
	As at 30 June 2023 HK\$ (unaudited)	As at 1 January 2023 HK\$ (audited)	For the six months ended 30 June 2023 HK\$ (unaudited)
Premises for vending machines	843,582	790,290	280,656

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023

11. RIGHT-OF-USE ASSETS (Continued)

As at 30 June 2023, the Group entered into eleven (31 December 2022: twelve) lease agreements for use of leased premises for vending machines and office premises and warehouses with remaining lease term of half to three years (31 December 2022: one to three years), with a corresponding addition of right-of-use assets of HK\$420,263 (31 December 2022: HK\$934,084). The carrying amounts of right-of-use assets and lease liabilities are HK\$843,582 and HK\$961,043 (31 December 2022: HK\$790,290 and HK\$1,057,801), respectively.

The Group makes fixed payments during the contract periods. One of the lease agreement (31 December 2022: two lease agreements) contains an option for further extending the lease period for additional one year by giving a three-month notice to landlord before the end of the lease. The Group considered the option would be exercised at the lease commencement date.

During the six months ended 30 June 2023, the Group has terminated one lease agreement (31 December 2022: two lease agreements) for use of leased premises for vending machines with a remaining lease term of 17 (31 December 2022: 15 to 18) months.

12. INVENTORIES

	As at 30 June 2023 HK\$ (unaudited)	As at 31 December 2022 HK\$ (audited)
Spare parts	852,201	1,158,512
Finished goods	1,048,634	1,166,941
Goods in transit	83,058	81,737
Merchandise	245,108	210,519
	2,229,001	2,617,709

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023

13. TRADE AND OTHER RECEIVABLES

	As at 30 June 2023 HK\$ (unaudited)	As at 31 December 2022 HK\$ (audited)
Trade receivables	2,390,359	2,356,149
Less: Allowance for ECL	(43,551)	(43,857)
	2,346,808	2,312,292
Amounts transferred from finance lease receivables upon derecognition	22,988,870	22,988,870
Less: Allowance for ECL	(22,988,870)	(22,988,870)
	-	-
Other receivables, prepayments and deposits		
— Purchase and trial products deposits to suppliers	3,837,228	3,474,925
— Other prepayments and deposits	395,210	531,820
— Other receivables	63,956	64,844
— Rental deposits	501,204	477,472
	4,797,598	4,549,061
	7,144,406	6,861,353
Representing:		
— Current	6,974,174	6,706,291
— Non-current	170,232	155,062
	7,144,406	6,861,353

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023

13. TRADE AND OTHER RECEIVABLES (Continued)

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

	As at 30 June 2023 HK\$ (unaudited)	As at 31 December 2022 HK\$ (audited)
0–30 days	794,492	2,143,142
31–60 days	213,270	111,222
61–90 days	30,067	31,726
91–180 days	2,468	–
Over 180 days	1,350,062	70,059
	2,390,359	2,356,149

14. TRADE AND OTHER PAYABLES

	As at 30 June 2023 HK\$ (unaudited)	As at 31 December 2022 HK\$ (audited)
Trade payables	1,502,320	776,051
Payroll payables and other accrued staff costs	162,085	253,098
Other payables and accrued expenses	1,452,422	1,331,571
Provision for restoration	533,981	533,981
	3,650,808	2,894,701

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023

14. TRADE AND OTHER PAYABLES (Continued)

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

	As at 30 June 2023 HK\$ (unaudited)	As at 31 December 2022 HK\$ (audited)
0–30 days	652,674	526,395
31–60 days	272,441	90,168
61–90 days	178,904	4,548
Over 90 days	398,301	154,940
	1,502,320	776,051

15. CONTRACT LIABILITIES

	As at 30 June 2023 HK\$ (unaudited)	As at 31 December 2022 HK\$ (audited)
Technical Sales and Distribution of Electronic Gaming Equipment	2,254,884	56,094

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023

16. SHARE OPTION SCHEME

The Group's share option scheme (the "Share Option Scheme") was conditionally adopted pursuant to a resolution passed on 25 October 2017 as detailed in the annual financial statements of the Group for the year ended 31 December 2022.

During the six months ended 30 June 2023 and as at 30 June 2023, no option has been granted pursuant to the Share Option Scheme (2022: nil).

17. SHARE CAPITAL

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

	Number of shares	Share capital HK\$
Authorised:		
Ordinary shares of HK\$0.01 each		
As at 1 January 2022, 31 December 2022, 1 January 2023 and 30 June 2023	10,000,000,000	100,000,000
Issued and fully paid:		
Ordinary shares of HK\$0.01 each		
As at 1 January 2022, 31 December 2022, 1 January 2023 and 30 June 2023	1,000,000,000	10,000,000

18. LEASE COMMITMENTS

As lessee

As at 30 June 2023 and 31 December 2022, the lease commitments for short-term leases of the Group in respect of premises leased for vending machines, car parks and an office premises are as follows:

	As at 30 June 2023 HK\$ (unaudited)	As at 31 December 2022 HK\$ (audited)
Within one year	717,486	1,216,817

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023

19. CAPITAL COMMITMENTS

	As at 30 June 2023 HK\$ (unaudited)	As at 31 December 2022 HK\$ (audited)
Contracted but not provided for:		
— Property and equipment	53,348	53,348

20. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

EGE Business:

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

During the Period, revenues from the Technical Sales and Distribution of EGE had increased by approximately 679.5%. Revenues from the Consulting and Technical Services had decreased by approximately 15.5% and Repair Services had increased by approximately 146%.

Smart VM Business:

The Group began its Smart VM Business in Macau SAR in the second half of 2021 after several months of trials. At its core, the Group is an operator of Smart VMs selling various Macau sourced products to travellers to Macau SAR as well as domestic consumers in Macau SAR and the Greater Bay Area of the PRC (“**GBA**”). The Group operates and markets its Smart VMs under its own registered brands and logos in both Macau SAR and the PRC. In Macau SAR, the Group’s drinks and snacks VMs are marketed under the KatKatMall logo, and its coffee VMs are marketed under the Katffee logo. The Group also operates and markets customised VMs with well known product partners, for example, it operates a Choi Heung Yuen (“**CHY**”) VM specifically for CHY products in Macau SAR. Overall, the Group’s Smart VM Business can be divided into: (1) the product sales through Smart VM; and (2) the leasing of Smart VM.

During the Period, revenues from the Product Sales through Smart VM had increased by approximately 139.2%.

The Group’s Smart VM Business is conducted through the Group’s wholly-owned subsidiary, APE Smart Commerce Limited and its subsidiary, Xianfeng Zhitesco E-Commerce (Zhuhai Hengqin) Co. Ltd. in Zhuhai, the GBA to undertake such opportunities. As at 30 June 2023, the Group has installed 31 VMs and 19 coffee VMs of various types in Macau SAR. The Smart VM Business performance for the Period generated a revenue of approximately HK\$1.14 million, and a gross profit of approximately HK\$0.13 million. Total capital expenditures on VMs are approximately HK\$2.7 million.

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

FORWARD OUTLOOK

The Group's goal for the second half of 2023 is to get back to profitability. Since the post-COVID opening in the beginning of 2023, Macau's tourism has slowly picked up. Casinos' gross gaming revenues have correspondingly increased. The Group has received numerous enquiries from casinos for EGE upgrades and new machine purchases. Management of the Company is working hard to respond and fulfil these enquiries. We are hopeful and expect to start more booking EGE revenues by the second half of 2023.

On the EGE supplier side, we are happy to announce that we have extended our exclusive distribution with one of our big EGE suppliers for all of Asia. By securing such exclusive distribution, the Group will be in a better position to increase our EGE revenue for the coming years. We are also working hard to secure exclusive distribution rights with other famous EGM suppliers, where we believe that there is increasing demand from casinos.

In another new development, we've started our own research initiative to explore the use of AI in gaming. In that regard, our team has started a program engaging a number of summer internship students from local universities to work on a 3-month prototype building project for the Group. The project will explore the use of generative AI for next generation of casino gaming compliance as well as games adoption. It is the team's hope that we will be able to use generative AI to assist the Group's consulting business, as well as explore new games development. We will provide more updates on this initiative as the team progresses.



MANAGEMENT DISCUSSION AND ANALYSIS

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

To facilitate our march to profitability, the executive Directors ("EDs") also have agreed to extend their 50% reduction of remuneration for another 6 months until the year end of 2023.

FINANCIAL REVIEW

Revenue

The total revenue of the Group increased by approximately 185.4% from approximately HK\$2.7 million for the Corresponding Period to approximately HK\$7.7 million for the Period. The increase in revenue was mainly attributable to a 679.5% increase of income derived from Technical Sales and Distribution of EGE for the Period as compared with that for the Corresponding Period.

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

Revenue from major products and services	Six months ended		Period-on-period change
	30 June		
	2023 HK\$	2022 HK\$	%
Technical Sales and Distribution of EGE	4,770,742	612,056	679.5%
Consultancy and Technical Services	1,143,806	1,353,883	(15.5)%
Repair Services	617,546	251,083	146%
Product Sales through Smart VM	1,127,378	471,341	139.2%
Leasing of Smart VM	14,369	–	–
Total	7,673,841	2,688,363	185.4%

MANAGEMENT DISCUSSION AND ANALYSIS

Technical Sales and Distribution of EGE

Revenue from Technical Sales and Distribution of EGE increased by 679.5% to approximately HK\$4.8 million for the Period (Corresponding Period: approximately HK\$0.6 million).

Gross profit margin on sale of EGE increased to gross profit margin of 5.3% over the Period (Corresponding Period: gross loss margin of 61.6%). The reason for the increase in gross profit margin was attributed to the higher overall selling revenue.

Consultancy and Technical Services

Consultancy and Technical Services revenue decreased by 15.5% between the Period and the Corresponding Period.

Repair Services

Repair Services revenue increased by 146% to approximately HK\$0.6 million for the Period (Corresponding Period: approximately HK\$0.2 million).

Product Sales through Smart VM

Product Sales through Smart VM revenue increased by 139.2% to approximately HK\$1.1 million for the Period (Corresponding Period: approximately HK\$0.5 million).

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

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

For the six months ended 30 June 2023

	Technical Sales and Distribution of EGE HK\$	Consultancy and Technical Services HK\$	Repair Services HK\$	Product Sales through Smart VM HK\$	Leasing of Smart VM HK\$	Total HK\$
Revenue	4,770,742	1,143,806	617,546	1,127,378	14,369	7,673,841
Cost of sales and services	(4,517,798)	(1,227,120)	(612,051)	(1,016,355)	-	(7,373,324)
Gross profit/(loss)	252,944	(83,314)	5,495	111,023	14,369	300,517
Gross profit/(loss) margin	5.3%	(7.3%)	0.9%	9.8%	100%	3.9%

MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30 June 2022

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

The Group's gross profit margin increased from approximately -32.7% for the Corresponding Period to gross profit margin of approximately 3.9% for the Period. The increase in gross profit margin was attributable to (i) an increase in gross profit margin for Technical Sales and Distribution of EGE due to higher overall selling revenue; and (ii) an increase in gross profit for Repair Services.

Other income, gains and losses

The Group incurred net foreign exchange gain of HK\$14,308 for the Period (Corresponding Period: HK\$-45,927) due to the fluctuation of European dollar ("EUR") against HK\$, which was unfavourable to our payables position to one of our suppliers in Europe.

Operating expenses

The Group's operating expenses decreased by approximately 13.2% from approximately HK\$8.3 million for the Corresponding Period to approximately HK\$7.2 million for the Period. This decrease was attributable to staff voluntary unpaid leave scheme as well as review of the Group's ongoing operating expenses.

Impairment on financial assets

The Group recognised a reversal of impairment losses under ECL model on trade receivables of HK\$306 for the Period (Corresponding Period: impairment losses of HK\$1,948).

Loss

The Group recorded net loss attributable to the owners of the Company of approximately HK\$7.1 million for the Period compared to a net loss of approximately HK\$9.8 million for the Corresponding Period. The decrease in loss was mainly attributable to an increase in revenue to approximately HK\$7.7 million for the Period as compared to approximately HK\$2.7 million for the Corresponding Period, being a 185.4% rise.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY, FINANCIAL RESOURCES, GEARING RATIO AND CAPITAL STRUCTURE

During the Period, the Group financed its operations by its internal resources. As at 30 June 2023, the Group had net current assets of approximately HK\$8.2 million compared with those of approximately HK\$15.2 million as at 31 December 2022. As at 30 June 2023 and 31 December 2022, the Group had no bank borrowings, bank overdrafts, nor other bank loans. Gearing ratio (which is calculated by dividing total debt by total equity and then multiplied by 100%) was not applicable to the Group as at 30 June 2023. As at 30 June 2023, the capital structure of the Company comprised issued share capital and reserves. There has been no change in the capital structure of the Company since 31 December 2022. 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

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

SIGNIFICANT INVESTMENTS OR MATERIAL ACQUISITIONS AND DISPOSALS

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

CONTINGENT LIABILITIES

As at 30 June 2023 and 31 December 2022, the Group did not have any material contingent liabilities.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2023, the Group had a total of 36 employees (30 June 2022: 45). Employee remuneration package is based on the previous working experience and actual performance of individual employees. Apart from the basic salary, discretionary bonus and allowance will be granted to employees based on their individual performance approved by the EDs. For the Period, the Group incurred staff costs, including Directors' remuneration of approximately HK\$4.9 million (Corresponding Period: approximately HK\$6.3 million). The Company has adopted a Share Option Scheme on 25 October 2017 for the purpose of recognising and acknowledging the contribution of employees and directors of the Group and other selected participants. The Group provides ongoing on-the-job training to its employees to enhance their performance and improve their technical expertise. Apart from internal training, EGE manufacturers also provide external trainings to the Group's employees, covering topics such as the operation and features of their products.

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL COMMITMENTS

As at 30 June 2023, the Group had capital commitment of HK\$53,348 (31 December 2022: HK\$53,348).

CHARGES ON GROUP'S ASSETS

As at 30 June 2023, the Group had had no charges on its assets (31 December 2022: Nil).

TREASURY POLICIES

The Directors will continue to follow a prudent policy in managing the Group's cash balances and maintain a strong and healthy liquidity to ensure that the Group is well-placed to take advantage of future growth opportunities. As at 30 June 2023, all cash on hand was deposited with licensed financial institutions in the Hong Kong Special Administrative Region, Macau SAR and the PRC.

CUSTOMER RELATIONSHIPS

The Group's major customers are mostly casino operators in Macau SAR which are listed on the Stock Exchange. The Group is committed to building long-term and stable business relationships with existing customers through its sales and marketing department and technical service team. The Group also maintains good relationships with its suppliers. The Group has long-term relationships with a selected number of suppliers who distribute on an exclusive territorial or a non-exclusive basis.

Revenue attributed from customers that accounted for 10% or more of the Group's revenue during the Period is as follows:

	Six months ended 30 June	
	2023 HK\$ Unaudited	2022 HK\$ Unaudited
Customer A	2,604,755	798,420
Customer B	1,199,371	611,126
Customer C	1,028,372	N/A [#]
Customer D	–	332,042

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

MANAGEMENT DISCUSSION AND ANALYSIS

FOREIGN CURRENCY EXPOSURE

The Group invoices its customers mainly in EUR, HK\$, Macau Pataca and Chinese Yuan. The main exposure to foreign currency fluctuations comes from daily operating expenses and supplies in HK\$. For the Period, the Group's net foreign exchange gain was HK\$14,308, an increase from HK\$-45,927 for the Corresponding Period. This was attributable to the fluctuation of exchange rate of US\$ against EUR, which affected our payables in EUR liabilities negatively.

DIVIDEND

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

DISCLOSURE OF INTERESTS

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2023, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong SAR (the "SFO"), which were required to be (a) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, recorded in the register referred to therein; or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, notified to the Company and the Stock Exchange, were as follows:

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

Name of Directors/ Chief executive	Capacity/ Nature of interest	Number of Shares/ underlying Shares interested	Approximate percentage of the issued Shares*
Mr. Huie, Allen Tat Yan ("Mr. Huie")	Beneficial owner	294,759,680 <small>Notes 1,2,3&4</small>	29.47%
Mr. Ng Man Ho Herman ("Mr. Ng")	Beneficial owner	289,259,680 <small>Notes 1,2,3&4</small>	28.92%
Mr. Chan Chi Lun ("Mr. Chan")	Beneficial owner	151,580,640 <small>Notes 1,2,3&4</small>	15.16%

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

DISCLOSURE OF INTERESTS

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

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

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

* The percentage represents the total number of the Shares and the underlying Shares, if any, interested divided by the number of issued Shares of 1,000,000,000 as at 30 June 2023.

Save as disclosed above, as at 30 June 2023, none of the Directors nor the chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO), which were (a) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, recorded in the register referred to therein; or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, notified to the Company and the Stock Exchange.

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

As at 30 June 2023, other than the interests which would be required to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO in respect of the Directors and the chief executive of the Company, the Company had not been notified by any person or entity, not being a Director or the chief executive of the Company, of having 5% or more of the interests and short positions in the Shares and underlying Shares as required to be recorded in the register under Section 336 of the SFO.



CORPORATE GOVERNANCE AND OTHER INFORMATION

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN COMPETING BUSINESS

None of the Directors or the controlling Shareholders (as defined under the GEM Listing Rules) or their respective close associates (as defined under the GEM Listing Rules) had any business or interest in a business apart from the Group's business which had competed or was likely to compete, either directly or indirectly, with the businesses of the Group and any other conflicts of interest with the Group during the Period.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

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

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the required standard of dealings in the securities (the "**Required Standard of Dealings**") as set out in Rules 5.48 to 5.67 of the GEM Listing Rules as its own code of conduct governing securities transactions by the Directors. Following a specific enquiry made by the Company on each of the Directors, all Directors have confirmed that they had fully complied with the Required Standard of Dealings during the Period.

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

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

SHARE OPTION SCHEME

The Share Option Scheme became effective upon the commencement of dealings of the Shares on the Listing Date. The purpose of the Share Option Scheme is to recognise and acknowledge the contributions of the participants to the Group by granting options to them as incentives or rewards. The Board considers that the Share Option Scheme, with its broadened basis of participation, will enable the Group to reward the employees, the Directors and other selected participants for their contributions to the Group.

CORPORATE GOVERNANCE AND OTHER INFORMATION

The Board may, at its discretion and on such terms as it may think fit, grant an option to any participant, including directors (including EDs and the independent non-executive Directors (“INEDs”)), executive, employee, consultant, adviser and/or agent of any member of the Group and any other person who has contributed to the success of the Listing, in each case, as determined by the Board.

The total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme must not exceed 100,000,000 Shares, representing 10% of the Shares in issue upon the Listing. The total number of the Shares issued and to be issued upon exercise of the options granted to each grantee (with the exception of the INEDs, the substantial Shareholders and their respective associates (the “**Relevant Parties**”)) under the Share Option Scheme (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the Shares in issue for the time being unless approval from the Shareholders in general meeting (the “**Shareholders’ Approval**”) is obtained with such grantee and his/her/its associates abstaining from voting. The Relevant Parties are subject to 0.1% of the Shares or a maximum of HK\$5 million in respect of the value of the underlying Shares unless the Shareholders’ Approval is obtained. The exercisable period of an option under the Share Option Scheme will be notified by the Board to each participant, which shall not exceed 10 years from the date upon which the option is deemed to be granted and accepted. The Board will determine the minimum period, which shall be no less than one year, for which an option must be held before it becomes exercisable. HK\$1.00 is payable by a grantee on acceptance of the options. The subscription price for the Shares payable on the exercise of an option shall be a price determined by the Board at its absolute discretion and notified to a participant and shall be no less than the highest of (i) the closing price of the Shares as stated in the daily quotations sheet issued by the Stock Exchange on the date of grant of option(s), which must be a business day; (ii) the average of the closing prices of the Shares as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant of option(s); or (iii) the nominal value of a Share on the date of grant of option(s). The Share Option Scheme is valid for a period which commenced on the Listing Date and will expire at 5:00 p.m. on the business day preceding the tenth anniversary of such date.

As at the date of this report, the Company has not granted or issued any option. Therefore, no options lapsed or were exercised or cancelled during the Period and there were no outstanding options as at 30 June 2023. Further details regarding the principal terms of the Share Option Scheme were included in the prospectus of the Company dated 31 October 2017 under the section “Appendix IV Statutory and General Information — Share Option Scheme”.

CORPORATE GOVERNANCE AND OTHER INFORMATION

IMPORTANT EVENTS AFTER THE PERIOD

The Board is not aware of any material event requiring disclosure, that has taken place subsequent to 30 June 2023 and up to the date of this report.

REVIEW BY AUDIT COMMITTEE

The audit committee of the Board (the “**Audit Committee**”) was established with effect from the Listing Date with written terms of reference in compliance with code provisions D.3.3 and D.3.7 of the CG Code and Rules 5.28 to 5.33 of the GEM Listing Rules. The primary duties of the Audit Committee are, among other things, to make recommendations to the Board on the appointment, re-appointment and removal of external auditors and to review and monitor the financial reporting process, risk management and internal control systems of the Group. The Audit Committee currently comprises all the three INEDs, namely Mr. Choi Kwok Wai, Mr. Ma Chi Seng and Mr. Ho Kevin King Lun. Mr. Choi Kwok Wai is the chairman of the Audit Committee.

The Audit Committee has reviewed the unaudited condensed consolidated financial statements of the Group for the Period and this report and is of the view that such statements and report have been prepared in compliance with the applicable accounting standards, the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures have been made.

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

Hong Kong, 11 August 2023

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