



Asia Pioneer Entertainment Holdings Limited

(Incorporated in the Cayman Islands with limited liability)
Stock Code : 8400

TOTAL SOLUTIONS PROVIDER FOR
**ELECTRONIC GAMING
EQUIPMENT IN
MACAU AND ASIA**

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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.

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2020 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 2020 (the “**Period**”), together with the unaudited corresponding figures for the six months ended 30 June 2019 (the “**Corresponding Period**”). The Group’s revenue decreased by 46% from approximately HK\$21.9 million for the Corresponding Period to approximately HK\$11.8 million for the Period.

During the Period, the Group’s gross profit decreased from approximately HK\$8.3 million for the Corresponding Period to approximately HK\$3.3 million for the Period, representing a decrease of approximately 59.8%. Gross profit margin from total sales of products and services also decreased to 28.1% for the Period compared to 37.7% for the Corresponding Period.

The Group’s operating expenses decreased by 30.8% over the Period to HK\$10.5 million (Corresponding Period: HK\$15.1 million). This was primarily due to decreases in operating and staff costs.

The Group’s total comprehensive loss for the Period increased to approximately HK\$29 million (the “**Net Loss**”) (Corresponding Period: Net loss of approximately HK\$5.5 million). The Net Loss was mainly due to an impairment loss of HK\$22.9 million in finance lease receivables.

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

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

TO THE BOARD OF DIRECTORS OF
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)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Asia Pioneer Entertainment Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) set out on pages 5 to 31, which comprise the condensed consolidated statement of financial position as of 30 June 2020 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting” (“**IAS 34**”) issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion 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.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” (“ISRE 2410”) issued by the International Auditing and Assurance Standards Board. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Without qualifying our review conclusion, we draw attention to the fact that the condensed consolidated statement of profit or loss and other comprehensive income for each of the three-month periods ended 31 March 2020 and 31 March 2019 and the relevant explanatory notes included in these condensed consolidated financial statements have not been reviewed in accordance with ISRE 2410.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

13 August 2020

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Notes	Three months ended 30 June		Six months ended 30 June	
		2020 HK\$ (unaudited)	2019 HK\$ (unaudited)	2020 HK\$ (unaudited)	2019 HK\$ (unaudited)
Revenue from contracts with customers	3	9,455,467	13,965,903	11,835,848	21,930,522
Cost of sales		(6,815,226)	(8,569,981)	(8,512,447)	(13,669,411)
Gross profit		2,640,241	5,395,922	3,323,401	8,261,111
Other income, gains and losses	4	534,460	766,721	1,131,402	1,386,251
Impairment losses under expected credit loss model, net of reversal	5	(22,909,287)	98,760	(22,876,548)	91,758
Operating expenses		(5,101,781)	(9,771,544)	(10,466,332)	(15,127,016)
Finance costs		(31,589)	(41,632)	(66,192)	(85,998)
Loss before tax		(24,867,956)	(3,551,773)	(28,954,269)	(5,473,894)
Income tax expense	6	-	-	-	-
Loss and total comprehensive expense for the period	7	(24,867,956)	(3,551,773)	(28,954,269)	(5,473,894)
Loss per share					
Basic	9	(0.025)	(0.004)	(0.029)	(0.005)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2020

	Notes	At 30 June 2020 HK\$ (unaudited)	At 31 December 2019 HK\$ (audited)
NON-CURRENT ASSETS			
Property and equipment	10	1,966,505	2,902,080
Right-of-use assets	11	2,898,119	3,601,336
Deposit for property and equipment		1,400,000	1,400,000
Finance lease receivables	12	–	19,591,746
Rental deposits	14	214,307	210,305
		6,478,931	27,705,467
CURRENT ASSETS			
Inventories	13	10,481,306	7,310,075
Finance lease receivables	12	–	7,083,303
Trade and other receivables	14	13,039,536	21,348,628
Pledged bank deposit		–	5,127,639
Fixed bank deposit		40,253	40,203
Bank balances and cash		52,102,819	43,594,183
		75,663,914	84,504,031
CURRENT LIABILITIES			
Trade and other payables	15	3,633,864	13,416,829
Contract liabilities	16	12,217,858	3,002,869
Lease liabilities		1,289,789	1,333,685
Income tax payable		4,335,609	4,335,609
		21,477,120	22,088,992
NET CURRENT ASSETS		54,186,794	62,415,039
TOTAL ASSETS LESS CURRENT LIABILITIES		60,665,725	90,120,506
NON-CURRENT LIABILITY			
Lease liabilities		1,500,628	2,001,140
NET ASSETS		59,165,097	88,119,366
CAPITAL AND RESERVES			
Share capital	17	10,000,000	10,000,000
Reserves		49,165,097	78,119,366
		59,165,097	88,119,366

The condensed consolidated financial statements on pages 5 to 31 were approved and authorised for issue by the Board of Directors on 13 August 2020 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 2020

	Share capital <i>HK\$</i>	Share premium <i>HK\$</i>	Merger reserve <i>HK\$</i> <i>(Note b)</i>	Legal reserve <i>HK\$</i> <i>(Note a)</i>	Accumulated (loss) profits <i>HK\$</i>	Total <i>HK\$</i>
At 1 January 2020 (audited)	10,000,000	55,098,836	(3,416,148)	504,489	25,932,189	88,119,366
Loss and total comprehensive expense for the period	–	–	–	–	(28,954,269)	(28,954,269)
At 30 June 2020 (unaudited)	10,000,000	55,098,836	(3,416,148)	504,489	(3,022,080)	59,165,097
At 1 January 2019 (audited)	10,000,000	55,098,836	(3,416,148)	504,489	28,981,211	91,168,388
Loss and total comprehensive expense for the period	–	–	–	–	(5,473,894)	(5,473,894)
At 30 June 2019 (unaudited)	10,000,000	55,098,836	(3,416,148)	504,489	23,507,317	85,694,494

Notes:

- a. In accordance with provision of the Macau Commercial Code, the subsidiary incorporated in Macau Special Administrative Region (“**Macau SAR**”) is required to transfer a minimum of 25% of the profit after taxation each year to the legal reserve until the balance meets 50% of its registered capital. The reserve is not distributable to shareholders.
- b. 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.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Six months ended 30 June	
	2020 HK\$ (unaudited)	2019 HK\$ (unaudited)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	3,832,298	(12,614,249)
INVESTING ACTIVITIES		
Interest received	101,386	143,169
Withdrawal of pledged bank deposit	5,164,202	–
Placement of fixed bank deposit	(50)	(51)
Purchase of property and equipment	–	(72,413)
NET CASH FROM INVESTING ACTIVITIES	5,265,538	70,705
FINANCING ACTIVITIES		
Interest paid	–	(85,998)
Repayments of lease liabilities	(589,200)	(487,402)
NET CASH USED IN FINANCING ACTIVITIES	(589,200)	(573,400)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	8,508,636	(13,116,944)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	43,594,183	47,507,886
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, represented by bank balances and cash	52,102,819	34,390,942

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 ("**IAS 34**") "Interim Financial Reporting" issued by the International Accounting Standards Board ("**IASB**") as well as with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited.

The condensed consolidated financial statements are presented in Hong Kong dollars ("**HKS**"), 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.

1A. SIGNIFICANT EVENTS AND TRANSACTIONS IN THE CURRENT INTERIM PERIOD

The outbreak of Covid-19 and the subsequent quarantine measures as well as the travel restrictions imposed by many countries have had negative impacts to the global gaming industry, business environment and directly and indirectly affect the operations of the Group. The Group temporarily suspended its operations in February 2020 voluntarily in an effort to contain the spread of the pandemic. On the other hand, the Macau government has announced some financial measures and supports for corporates to overcome the negative impact arising from the pandemic and certain lessors have provided rent concessions to the Group. As such, the financial positions and performance of the Group were affected in different aspects, including reduction in revenue, termination on finance leases, government grant in respect of Covid-19-related subsidies and rent concessions from certain lessors as disclosed in the relevant notes.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

1B. KEY SOURCES OF ESTIMATION UNCERTAINTY

Write-off of finance lease receivables

The write-off policy for financial assets of the Group when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery.

In the current interim period, the Group performed impairment assessment on the financial assets. 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. In view of impairment indicator, the Group estimated that the outstanding amount of finance lease receivables is not recoverable. At the date of termination on 21 May 2020, the Group wrote off the carrying amount of finance lease receivables and exercised its right to demand the return of the electronic gaming equipment, which an impairment loss was recognised in profit or loss for the period. The information about the amounts recognised for impairment loss on finance lease receivables and inventories returned are disclosed in notes 5 and 12 respectively.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated 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 (“IFRS”) and application of certain accounting policies which became relevant to the Group, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2019.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Application of amendments to IFRSs

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in IFRS Standards and the following amendments to IFRSs issued by the IASB, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group's condensed consolidated financial statements:

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, the Group has early applied the Amendment to IFRS 16 "Covid-19-Related Rent Concessions".

The application of the Amendments to References to the Conceptual Framework in IFRS Standards and the amendments to IFRSs in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

2.1 Impacts and accounting policies on early application of Amendment to IFRS 16 "Covid-19-Related Rent Concessions"

2.1.1 Accounting policies

Leases

Covid-19-related rent concessions

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;

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Application of amendments to IFRSs *(Continued)*

2.1 Impacts and accounting policies on early application of Amendment to IFRS 16 "Covid-19-Related Rent Concessions" *(Continued)*

2.1.1 Accounting policies *(Continued)*

Leases (Continued)

Covid-19-related rent concessions (Continued)

- 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 "Leases" 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 the profit or loss in the period in which the event occurs.

2.1.2 Transition and summary of effects

The Group has early applied the amendment in the current interim period. 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\$21,400 in the profit or loss for the current interim period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Application of amendments to IFRSs *(Continued)*

2.2 Accounting policies newly applied by the Group

In addition, the Group has applied the following accounting policies which became relevant to the Group in the current interim period.

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".

3. 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. 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

3. REVENUE AND SEGMENT INFORMATION (Continued)

Disaggregation of revenue from contracts with customers

	For the six months ended 30 June 2020 (unaudited)			
	Technical Sales and Distribution of Electronic Gaming Equipment HK\$	Consultancy and Technical Services HK\$	Repair Services HK\$	Total HK\$
Types of goods or service				
Technical Sales and Distribution of Electronic Gaming Equipment				
— Electronic Table Games ("ETGs")	5,177,281	-	-	5,177,281
— Electronic Gaming Machines ("EGMs")	1,997,443	-	-	1,997,443
— Spare Parts	2,193,889	-	-	2,193,889
	9,368,613	-	-	9,368,613
Consultancy and Technical Services				
— Technical supports	-	819,316	-	819,316
— Consultancy services	-	696,673	-	696,673
	-	1,515,989	-	1,515,989
Repair Services	-	-	951,246	951,246
Total	9,368,613	1,515,989	951,246	11,835,848
Geographical markets				
Macau SAR	4,040,219	1,515,989	922,430	6,478,638
Vietnam	5,236,043	-	-	5,236,043
Korea	85,088	-	-	85,088
Singapore	7,263	-	-	7,263
Rest of the world	-	-	28,816	28,816
Total	9,368,613	1,515,989	951,246	11,835,848
Timing of revenue recognition				
A point in time	9,368,613	302,209	922,430	10,593,252
Over time	-	1,213,780	28,816	1,242,596
Total	9,368,613	1,515,989	951,246	11,835,848

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

3. REVENUE AND SEGMENT INFORMATION (Continued)

Disaggregation of revenue from contracts with customers (Continued)

	For the six months ended 30 June 2019 (unaudited)			
	Technical Sales and Distribution of Electronic Gaming Equipment HK\$	Consultancy and Technical Services HK\$	Repair Services HK\$	Total HK\$
Types of goods or service				
Technical Sales and Distribution of Electronic Gaming Equipment				
— ETGs	14,404,552	—	—	14,404,552
— EGMs	3,008,132	—	—	3,008,132
— Spare Parts	1,601,430	—	—	1,601,430
	19,014,114	—	—	19,014,114
Consultancy and Technical Services				
— Technical supports	—	1,043,576	—	1,043,576
— Consultancy services	—	652,335	—	652,335
	—	1,695,911	—	1,695,911
Repair Services	—	—	1,220,497	1,220,497
Total	19,014,114	1,695,911	1,220,497	21,930,522
Geographical markets				
Macau SAR	16,894,984	1,695,911	1,179,106	19,770,001
Vietnam	1,856,089	—	—	1,856,089
Korea	149,101	—	—	149,101
Singapore	67,015	—	—	67,015
Rest of the world	46,925	—	41,391	88,316
Total	19,014,114	1,695,911	1,220,497	21,930,522
Timing of revenue recognition				
A point in time	19,014,114	289,789	1,220,497	20,524,400
Over time	—	1,406,122	—	1,406,122
Total	19,014,114	1,695,911	1,220,497	21,930,522

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

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

	For the three months ended 30 June 2020 (unaudited)			
	Technical Sales and Distribution of Electronic Gaming Equipment HK\$	Consultancy and Technical Services HK\$	Repair Services HK\$	Total HK\$
Types of goods or service				
Technical Sales and Distribution of Electronic Gaming Equipment				
— ETGs	5,177,281	-	-	5,177,281
— EGMs	1,997,443	-	-	1,997,443
— Spare Parts	1,186,782	-	-	1,186,782
	8,361,506	-	-	8,361,506
Consultancy and Technical Services				
— Technical supports	-	270,194	-	270,194
— Consultancy services	-	365,970	-	365,970
	-	636,164	-	636,164
Repair Services	-	-	457,797	457,797
Total	8,361,506	636,164	457,797	9,455,467
Geographical markets				
Macau SAR	3,091,874	636,164	447,447	4,175,485
Vietnam	5,177,281	-	-	5,177,281
Korea	85,088	-	-	85,088
Singapore	7,263	-	-	7,263
Rest of the world	-	-	10,350	10,350
Total	8,361,506	636,164	457,797	9,455,467
Timing of revenue recognition				
A point in time	8,361,506	35,146	447,447	8,844,099
Over time	-	601,018	10,350	611,368
Total	8,361,506	636,164	457,797	9,455,467

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

3. REVENUE AND SEGMENT INFORMATION (Continued)

Disaggregation of revenue from contracts with customers (Continued)

	For the three months ended 30 June 2019 (unaudited)			
	Technical Sales and Distribution of Electronic Gaming Equipment HK\$	Consultancy and Technical Services HK\$	Repair Services HK\$	Total HK\$
Types of goods or service				
Technical Sales and Distribution of Electronic Gaming Equipment				
— ETGs	8,846,088	—	—	8,846,088
— EGMs	3,008,131	—	—	3,008,131
— Spare Parts	620,614	—	—	620,614
	12,474,833	—	—	12,474,833
Consultancy and Technical Services				
— Technical supports	—	525,260	—	525,260
— Consultancy services	—	523,009	—	523,009
	—	1,048,269	—	1,048,269
Repair Services	—	—	442,801	442,801
Total	12,474,833	1,048,269	442,801	13,965,903
Geographical markets				
Macau SAR	11,467,263	1,048,269	424,426	12,939,958
Vietnam	744,529	—	—	744,529
Korea	149,101	—	—	149,101
Singapore	67,015	—	—	67,015
Rest of the world	46,925	—	18,375	65,300
Total	12,474,833	1,048,269	442,801	13,965,903
Timing of revenue recognition				
A point in time	12,474,833	232,633	442,801	13,150,267
Over time	—	815,636	—	815,636
Total	12,474,833	1,048,269	442,801	13,965,903

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

4. OTHER INCOME, GAINS AND LOSSES

	Three months ended 30 June		Six months ended 30 June	
	2020 HK\$ (unaudited)	2019 HK\$ (unaudited)	2020 HK\$ (unaudited)	2019 HK\$ (unaudited)
Other income				
Interest under effective interest method on finance lease receivables	230,289	520,135	683,850	1,057,627
Government grant	194,175	–	194,175	–
Bank interest income	24,524	52,691	74,524	121,511
Covid-19-related rent concessions	21,400	–	21,400	–
Effective interest income on rental deposits	2,001	1,698	4,002	3,396
Others	18,092	28,481	18,266	30,917
	490,481	603,005	996,217	1,213,451
Other gains and losses				
Net foreign exchange gain	43,979	163,716	135,185	172,800
	534,460	766,721	1,131,402	1,386,251

On 27 May 2020, the Macau SAR government enacted Administrative Regulation No.19/2020, among other things and grants a range of HK\$14,563 to HK\$194,175 (equivalent to MOP15,000 to MOP200,000) to eligible Macau business enterprises. The directors of the Group considered reasonably certain and recognised a government grant of HK\$194,175 at current interim period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

5. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS SUBJECT TO EXPECTED CREDIT LOSS (“ECL”) MODEL

	Three months ended 30 June		Six months ended 30 June	
	2020 HK\$ (unaudited)	2019 HK\$ (unaudited)	2020 HK\$ (unaudited)	2019 HK\$ (unaudited)
Impairment losses (recognised) reversed on:				
— finance lease receivables (Note 12)	(22,862,078)	(19,380)	(22,854,825)	(19,380)
— trade receivables	(47,209)	118,140	(21,723)	111,138
	(22,909,287)	98,760	(22,876,548)	91,758

The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2019.

As at 30 June 2020, no impairment allowance for other receivables representing bank interest receivables, fixed bank deposit and bank balances was made since the directors consider the probability of default is negligible as such amounts are receivable from or placed in banks in Macau and Hong Kong having good reputation and are considered to have low credit risk.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

6. INCOME TAX EXPENSE

Three months ended		Six months ended	
30 June		30 June	
2020	2019	2020	2019
HK\$	HK\$	HK\$	HK\$
(unaudited)	(unaudited)	(unaudited)	(unaudited)

Current tax:

Macau SAR Complementary
Tax

–

–

–

–

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.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

7. LOSS FOR THE PERIOD

	Three months ended 30 June		Six months ended 30 June	
	2020 HK\$ (unaudited)	2019 HK\$ (unaudited)	2020 HK\$ (unaudited)	2019 HK\$ (unaudited)
Loss for the period has been arrived at after charging (crediting):				
Directors' remuneration	779,860	849,437	1,692,889	1,628,874
Other staff costs				
— salaries and allowances	2,282,160	2,608,664	4,870,483	5,183,581
— retirement benefits scheme contributions	11,155	10,748	22,165	20,913
	3,073,175	3,468,849	6,585,537	6,833,368
Depreciation of property and equipment	467,113	471,775	935,575	945,543
Depreciation of right-of-use assets	351,608	291,734	703,217	583,469
	818,721	763,509	1,638,792	1,529,012
Cost of inventories recognised as an expense	5,757,052	7,222,265	6,421,487	11,198,840
Covid-19-related rent concessions (Note 11)	(21,400)	—	(21,400)	—

8. DIVIDEND

No dividend was paid, declared nor proposed during the current interim period (2019: nil). The directors of the Company have determined that no dividend will be paid in respect of the interim period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

9. LOSS PER SHARE

The calculation of the basic loss per share for each of the periods ended 30 June 2020 and 2019 is based on the following data:

Three months ended		Six months ended	
30 June		30 June	
2020	2019	2020	2019
HK\$	HK\$	HK\$	HK\$
(unaudited)	(unaudited)	(unaudited)	(unaudited)

Loss

Loss for the purpose of basic loss per share (loss for the period attributable to the owners of the Company)

(24,867,956)	(3,551,773)	(28,954,269)	(5,473,894)
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	'000	'000	'000	'000
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Number of shares

Weighted average number of ordinary shares for the purpose of calculating basic loss per share

1,000,000	1,000,000	1,000,000	1,000,000
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No diluted loss per share for the period was presented as there were no potential ordinary shares in issue during both periods.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

10. PROPERTY AND EQUIPMENT

	At 30 June 2020 HK\$ (unaudited)	At 31 December 2019 HK\$ (audited)
Carrying values		
Leasehold improvement	1,191,992	1,904,619
Furniture, fixtures and equipment	253,210	300,436
Electrical equipment	54,265	81,459
Computers	340,238	439,966
Motor vehicles	126,800	175,600
Total	1,966,505	2,902,080

During the current interim period, no property and equipment is acquired to expand and upgrade its facilities (2019: HK\$98,427).

11. RIGHT-OF-USE ASSETS

During the current interim period, no new lease agreement with lease term longer than 1 year was entered. The carrying amounts of right-of-use assets and lease liabilities are HK\$2,898,119 and HK\$2,790,417 (31 December 2019: HK\$3,601,336 and HK\$3,334,825 respectively).

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 current interim period, the effects on changes in lease payments due to forgiveness or waiver by the lessors for the relevant leases of HK\$21,400 were recognised as negative variable lease payments.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

12. FINANCE LEASE RECEIVABLES

In 2018, the Group sold certain electronic gaming equipment in finance leases arrangement. 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.

On 21 May 2020, the finance lease agreements were terminated in accordance with the terms of the finance lease agreement and a total carrying amount of finance lease receivables at the date of termination approximately HK\$25,915,359 was written off. 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.

	At 30 June 2020 HK\$ (unaudited)	At 31 December 2019 HK\$ (audited)
Analysed as:		
Current	–	7,083,303
Non-current	–	19,591,746
	–	26,675,049

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

12. FINANCE LEASE RECEIVABLES (Continued)

	Minimum lease payments		Present value of minimum lease payments	
	At 30 June 2020 HK\$ (unaudited)	At 31 December 2019 HK\$ (audited)	At 30 June 2020 HK\$ (unaudited)	At 31 December 2019 HK\$ (audited)
Finance lease receivables comprise:				
Within one year	–	7,316,348	–	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	–	30,917,893	–	26,809,094
Less: unearned finance income	–	(4,108,799)	–	–
allowance for credit losses	–	(134,045)	–	(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 6.00% to 8.00% per annum.

13. INVENTORIES

	At 30 June 2020 HK\$ (unaudited)	At 31 December 2019 HK\$ (audited)
Spare parts	4,447,448	4,301,216
Finished goods	2,980,577	3,008,859
Goods in transit (Note 12)	3,053,281	–
Total	10,481,306	7,310,075

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

14. TRADE AND OTHER RECEIVABLES

	At 30 June 2020 HK\$ (unaudited)	At 31 December 2019 HK\$ (audited)
Trade receivables on contracts with customers	5,642,151	11,764,374
Less: allowance for credit losses	(15,045)	(26,152)
	5,627,106	11,738,222
Other receivables, prepayments and deposits		
— Purchase and trial products deposits to suppliers (<i>note</i>)	6,525,129	8,089,607
— Other prepayments and deposits	515,127	618,639
— Other receivables	372,174	902,160
— Rental deposits	214,307	210,305
Total	13,253,843	21,558,933
Analysed as:		
Current	13,039,536	21,348,628
Non-current	214,307	210,305
	13,253,843	21,558,933

The Group allows the credit period ranging from 30 to 45 days to its trade customers throughout the period.

Note: As at 30 June 2020, the Group has paid HK\$6,525,129 (31 December 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

14. 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.

	At 30 June 2020 HK\$ (unaudited)	At 31 December 2019 HK\$ (audited)
0–30 days	2,867,430	955,598
31–60 days	2,760,659	2,551,968
61–90 days	11,471	2,902,101
91–180 days	2,591	5,262,061
Over 180 days	–	92,646
	5,642,151	11,764,374

As at 30 June 2020, included in the Group's trade receivables balance are debtors with an aggregate carrying amount of HK\$2,229,686 (31 December 2019: HK\$7,138,251) which are past due as at the reporting date. Out of the past due balances, no trade receivable amount (31 December 2019: HK\$92,646) has been past due over 90 days or more and is not considered as in default as there has not been a significant change in credit quality and amounts are still considered as recoverable based on historical experience.

15. TRADE AND OTHER PAYABLES

	At 30 June 2020 HK\$ (unaudited)	At 31 December 2019 HK\$ (audited)
Trade payables	651,717	8,240,763
Payroll payables and other accrued staff costs	272,803	1,519,494
Other payables and accrued expenses	2,175,363	3,122,591
Provision for restoration	533,981	533,981
Total	3,633,864	13,416,829

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

15. TRADE AND OTHER PAYABLES *(Continued)*

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

	At 30 June 2020 HK\$ (unaudited)	At 31 December 2019 HK\$ (audited)
0–30 days	110,165	1,261,947
31–60 days	383,913	4,137,704
61–90 days	151,341	770,853
Over 90 days	6,298	2,070,259
	651,717	8,240,763

16. CONTRACT LIABILITIES

	At 30 June 2020 HK\$ (unaudited)	At 31 December 2019 HK\$ (audited)
Technical Sales and Distribution of Electronic Gaming Equipment	12,217,858	2,796,267
Consultancy and Technical Services	–	206,602
	12,217,858	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 from the customers within one year.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

17. SHARE CAPITAL

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

	Par value	Number of shares	Share capital HK\$
Ordinary shares			
Authorised:			
At 1 January 2019 (audited),			
31 December 2019 (audited),			
1 January 2020 (audited) and			
30 June 2020 (unaudited)	0.01	10,000,000,000	100,000,000
Issued and fully paid:			
At 1 January 2019 (audited),			
31 December 2019 (audited),			
1 January 2020 (audited) and			
30 June 2020 (unaudited)	0.01	1,000,000,000	10,000,000

18. 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 daily quotation sheets of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

18. SHARE OPTION SCHEME *(Continued)*

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 30 June 2020 and 31 December 2019, no option has been granted pursuant to the share option scheme.

19. UNDRAWN BORROWING FACILITY

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

	At 30 June 2020 HK\$ (unaudited)	At 31 December 2019 HK\$ (audited)
Floating rate — expiring within one year	—	10,000,000

During the current interim period, the borrowing facility was expired. The Group neither renews nor obtains any borrowing facility.

20. CAPITAL COMMITMENT

	At 30 June 2020 HK\$ (unaudited)	At 31 December 2019 HK\$ (audited)
Capital expenditure in respect of the acquisition of property and equipment contracted for but not provided in the condensed consolidated financial statements	1,800,000	1,800,000

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

21. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is a total solutions provider of electronic gaming equipment (“**EGE**”) for land-based casinos in Macau SAR as well as other regions in Asia. EGE principally includes electronic table games (“**ETG**”) and electronic gaming machines (“**EGM**”). The Group’s business can be segmented into: (i) the technical sales and distribution of EGE to land-based casinos; (ii) the provision of repair services to casino operators; (iii) the provision of consultancy and technical services; (iv) sales of refurbished EGE; and (v) lease sales of EGE.

The Group’s business is conducted through its wholly-owned subsidiaries, including Asia Pioneer Entertainment Limited (“**APE Macau**”). APE Macau is the operating company of the Group, which operates the core businesses in Macau Special Administrative Region (“**Macau SAR**”). For the Period, APE Macau’s revenue represented all the revenues of the Group.

The Group’s strategic objectives are to consolidate its distribution of EGEs in Macau SAR and Southeast Asia as well as to seek new businesses that meet the Group’s strategic fit.

The Group’s performance for the Period was adversely affected by the outbreak of the novel coronavirus disease 2019 (the “**COVID-19**”) in Macau SAR and Southeast Asia during the first half 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, and hence, limited 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 Period, 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.

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 of the Group's major customers-land-based casinos. 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 the supplies from its suppliers. Instead of relying on gaming machine agents to supply their products to casino operators in Macau SAR, some manufacturers of EGE choose to supply EGE to casino operators in Macau SAR by direct sales. If any of the Group's existing suppliers decides to supply EGE to casino operators in Macau SAR directly without engaging us, 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.

COVID-19 — RISKS AND UNCERTAINTIES

The outbreak of COVID-19 pandemic had severe impact on the casino operators' operations in Macau SAR as well as Southeast Asia. During the Period, the casinos in Macau SAR had to suspend their operations for two weeks and many casinos in Southeast Asia had also suspended their operations. As a result, there was a weaker demand for technical sales and distribution of EGE of the Group. Some of the orders of the EGE received by the Group were delayed or cancelled.

In addition, on 21 May 2020, the Group terminated two finance lease agreements (the "**Finance Lease Agreements**") as the lessees (the "**Lessees**") failed to pay the lease rental. As a result of such terminations, the Group recorded an impairment loss of finance lease receivables of approximately HK\$22.9 million during the Period. Upon terminations of the Finance Lease Agreements, the Group exercised its rights to demand the return of the EGE leased to the Lessees under the Finance Lease Agreements. The Group intends to identify new lessees for the EGE in Macau SAR and other Southeast Asian countries.

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 INC. ("**Glimex**") to the Group, Glimex agreed to pay the such outstanding rental by instalments. According to the letter dated 30 June 2020 from Glimex to the Company, Glimex agreed to pay the first instalment of US\$25,200 within 30 days of the letter, and the remaining outstanding balances by a monthly instalments of around US\$10,000 each from July 2020. As at the date of this report, the Group had not received the first instalment and the July monthly instalment as bank services were affected by the lockdown of Manila, The Republic of Philippines ("**Philippines**"). The Group will follow up with Glimex on the outstanding instalments and consider to take further action as and when necessary.

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 Leisure Co., Ltd ("**Siam Star**") to the Group, the Group had sent a demand letter to Siam Star on 29 June 2020 demanding for payment of such outstanding rental.

The Company will use its best endeavours to collect the outstanding amounts from the Lessees and take appropriate legal actions when necessary. The Company will keep the shareholders of the Company (the "**Shareholders**") and potential investors of the Company informed of any material update.

MANAGEMENT DISCUSSION AND ANALYSIS

FORWARD OUTLOOK

The Group remains concerned about the impact of the ongoing outbreak of COVID-19 on the operations of its land-based operators in Macau SAR and Southeast Asia. Demand for the Group's EGE products and services has been adversely affected and the Group is concerned if business activities can quickly return to pre-COVID-19 levels.

The Group has taken several initiatives in light of such uncertainties. Firstly, the Group took action to reduce operating expenses and senior management of the Company (the "**Senior Management**") undertook voluntary salary reductions. The Group also reviewed staffing needs and requirements. Secondly, the Group carefully reviewed its outstanding receivables and capital commitments. Given that (i) the Lessees failed to pay the outstanding lease rental ; (ii) it was uncertain when the relevant casinos in the Philippines and The Kingdom of Cambodia (the "**Relevant Casinos**") could resume operations ; and (iii) travel restrictions and/or quarantine measures may continue to be implemented which will reduce the number of tourists visiting the Relevant Casinos, the Board terminated the Finance Lease Agreements in May 2020. Thirdly, the Group acted to preserve cash on hand and maintain working capital. To date, the Group has no debt and a healthy working capital position relative to its revenue. Fourthly, 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.

In addition, the Group has decided to seek business opportunities that can supplement the Group's core EGE business. In the first half of 2020, the Group signed a consulting assignment and project management agreement to advise an operator on the pre-opening of a casino in The Republic of Vietnam ("**Vietnam**"). The Group hopes that this consulting project will lead to further business opportunities in Vietnam or other similar consulting projects.

Moreover, the Group has decided to explore opportunities relating to sports and sports entertainment as such activities are encouraged and promoted by the Macau SAR government. As such, the Group has established a wholly-owned subsidiary, APE Sports and Entertainment Limited ("**APE Sports**"), to undertake such opportunities. APE Sports will initially explore opportunities in promoting sporting events in Macau SAR, as well as sports entertainment venues with large land-based casino operators. The Group believes that sports entertainment will excel as visitors will return to Macau SAR after the outbreak of COVID-19 has been controlled. Overall, the Group remains positive in the mass market in Macau SAR and believes that it's well positioned to capture potential business opportunities.

Further, the Group continues to explore new business opportunities which can exploit its strengths as a Macau SAR based supplier with a strong customer base of integrated resorts and casinos in Macau SAR and across Southeast Asia.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

The total revenue of the Group decreased by approximately 46% from approximately HK\$21.9 million for the Corresponding Period to approximately HK\$11.8 million for the Period. The decrease in revenue was mainly attributable to a 50.7% decrease 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 30 June		Period-on- period change
	2020	2019	
	HK\$	HK\$	%
Technical sales and distribution of EGE	9,368,613	19,014,114	-50.7%
Consultancy and technical services	1,515,989	1,695,911	-10.6%
Repair services	951,246	1,220,497	-22.1%
Total	11,835,848	21,930,522	-46%

Technical sales and distribution of EGE

During the Period, the Group had launched 8 trials of products with casino customers, of which 2 passed and 6 were extended. During the Period, 1 direct sales resulted in income of HK\$5.2 million. In terms of seats sold, the Group sold a total number of 60 seats during the Period compared with 76 seats during the Corresponding period, a decrease of 21.1%.

Sales by seats	Six months ended 30 June		Period change
	2020	2019	
	HK\$	HK\$	%
ETG(s)	50	64	-21.9%
EGM(s)	10	12	-16.7%
Total	60	76	-21.1%

Gross profit margin on sale of EGE decreased to 26.5% over the Period (Corresponding Period: 36.2%). The reason for the decrease in gross profit margin was attributed to the lower overall selling prices in the Period compared to those in the Corresponding Period.

MANAGEMENT DISCUSSION AND ANALYSIS

Consultancy and technical services

Consultancy and technical services revenue decreased by 10.6% between the Period and the Corresponding Period. The Group had a total of 3 consultancy contracts during the Corresponding Period and the Group had 2 ongoing consultancy contracts in the Period. Looking forward, management of the Company expects to secure a new consulting agreement with a new customer to assist in the development of Macau SAR market entry for EGMs. During the Period, the Group signed a new consulting agreement with an operator to provide pre-opening consulting and project management for a new casino in Vietnam.

Repair services

Repair services revenue decreased by 22.1% to approximately HK\$0.95 million for the Period (Corresponding Period: HK\$1.2 million). This was due to a slowdown of casino repairs during the Period mainly due to the outbreak of COVID-19. The gross profit margins for repair services was 50.3% for the Period, decreasing slightly over the Corresponding Period (Corresponding Period: 55.3%).

Gross Profit and Gross Profit Margin by Revenue Streams

The following table sets forth the breakdown of the Group's gross profit margin by income segmentation for the Period and the Corresponding Period:

For the six months ended 30 June 2020

	Technical sales and distribution of EGE HK\$	Consultancy and technical services HK\$	Repair services HK\$	Total HK\$
Revenue	9,368,613	1,515,989	951,246	11,835,848
Cost of sales and services	(6,885,300)	(1,154,540)	(472,607)	(8,512,447)
Gross profit	2,483,313	361,449	478,639	3,323,401
Gross profit ratio	26.5%	23.8%	50.3%	28.1%

MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30 June 2019

	Technical sales and distribution of EGE HK\$	Consultancy and technical services HK\$	Repair services HK\$	Total HK\$
Revenue	19,014,114	1,695,911	1,220,497	21,930,522
Cost of sales and services	(12,124,091)	(1,000,284)	(545,036)	(13,669,411)
Gross profit	6,890,023	695,627	675,461	8,261,111
Gross profit ratio	36.2%	41.0%	55.3%	37.7%

For the Period, the Group's gross profit margin decreased from approximately 37.7% for the Corresponding Period to approximately 28.1% for the Period. The decrease in gross profit margin was attributable to (i) a decrease in gross profit margin for technical sales and distribution of EGE due to lower overall selling prices, and (ii) a decrease in gross profit in consultancy and technical services segment.

Other Income, Gains and Losses

The Group incurred net foreign exchange gain of HK\$135,185 for the Period (Corresponding Period: gain of HK\$172,800) due to the depreciation of European dollar ("EUR") against HK\$, which was favourable to our payables position to one of our suppliers in Europe.

Operating Expenses

The Group's operating expenses decreased by approximately 30.8% from approximately HK\$15.1 million for the Corresponding Period to approximately HK\$10.5 million for the Period. This decrease was attributable to a 20% voluntary salary cut from the Senior Management and also a review of the Group's operating expenses.

Impairment on Financial Assets

During the Period, given that (i) the Lessees failed to pay the outstanding lease rental ; (ii) it was uncertain when the Relevant Casinos could resume operations ; and (iii) travel restrictions and/or quarantine measures may continue to be implemented which will reduce the number of tourists visiting the Relevant Casinos, the Board terminated the Finance Lease Agreements in May 2020. As a result of such terminations, the Group recognised an impairment loss for finance lease receivables of approximately HK\$22.9 million and HK\$32,810, respectively for trade receivables for the Period.

MANAGEMENT DISCUSSION AND ANALYSIS

Loss

The Group recorded net loss attributable to the owners of the Company of approximately HK\$29 million for the Period compared to a net loss of approximately HK\$5.5 million for the Corresponding Period.

The loss was mainly attributable to an impairment loss of finance lease receivables of approximately HK\$22.9 million and a 46% decrease in revenue from the Corresponding Period to the Period.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

The Company's actual business progress is different from the original business objectives set out in the Prospectus of the Company dated 31 October 2017 (the "Prospectus").

The following table is a comparison between the Group's business objectives as set out in the Prospectus and the Group's actual business progress during the Period.

Original Business objectives	Actual business progress
Securing more trial products and increasing sales	In light of the outbreak of COVID-19 and the downturn in business from casinos, the Group has become more selective in future trials with its products.
Capturing future opportunities in the gaming market by leasing EGE to casino operators	Leasing in Macau SAR is awaiting regulatory clearance. In light of the outbreak of COVID-19 and the downturn in casino business, the Group has become more selective in leasing opportunities in Macau SAR and Southeast Asia.
Capitalising on the potential demand in Southeast Asia for refurbished EGE	The Group continues to seek new opportunities to purchase used machines for refurbished sales in Southeast Asia.
Improving the Group's operating efficiency through new Enterprise Resource Planning (the "ERP") system and purchasing of tools and equipment	The Group expects the upgrade of the ERP system from its vendor will complete in the second half of 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

The following table describes the Group's new business objectives which will help the Group expand its revenue base beyond its existing business and provide future growth to the Shareholders.

New business objectives	Actual business progress
Seeking new business opportunities for the Group to take advantage of its local presence in Macau SAR	The Group is exploring opportunities in sport entertainment area and is looking into feasibility of sponsoring events and providing sports lounge entertainment in Macau SAR.
Seeking new business opportunities taking advantage of the Group's strong customer base of casinos and integrated resorts throughout Southeast Asia	The Group is actively exploring business opportunities to enter into the gaming operations.

USE OF PROCEEDS FROM LISTING

The net proceeds from the listing of the shares of the Company (the "**Shares**") in issue on GEM on 15 November 2017 (the "**Listing Date**" and the "**Listing**", respectively) received by the Company after deducting underwriting fees and other Listing expenses (the "**Net Proceeds**") were approximately HK\$40 million. The intended uses of the Net Proceeds are disclosed in the section headed "Statement of Business Objectives and Use of Proceeds" in the Prospectus. Unutilised Net Proceeds as at 30 June 2020 amounted to approximately HK\$0.99 million (31 March 2020: approximately HK\$1.16 million), and are deposited in a licensed bank in Hong Kong Special Administrative Region ("**Hong Kong SAR**"). The Company intends to use the remaining Net Proceeds in the coming years in accordance with the purposes set out in the Prospectus.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 June 2020, the Group has utilised the Net Proceeds as follows:

	Percentage to total amount	Intended use of Net Proceeds HK\$ million	Amount utilised during the Period HK\$ million	Utilised amount HK\$ million	Unutilised amount HK\$ million	Expected timeline to use the utilised Net Proceeds
Upfront deposits for manufacturers to provide more trial products	41.5%	16.60	0.16	15.86	0.74	Before the end of 2020
Procuring EGE for lease to casino operators in Macau SAR	17.8%	7.10	–	7.10	–	–
Procuring and refurbishment of used EGE 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 premises	0.7%	0.30	–	0.30	–	–
Purchase of tools and equipment and new ERP system	6.8%	2.70	0.04	2.45	0.25	Before the end of 2020
General working capital	2.7%	1.10	–	1.10	–	–
	100%	40.00	0.20	39.01	0.99	N/A

LIQUIDITY, FINANCIAL RESOURCES, GEARING RATIO AND CAPITAL STRUCTURE

During the Period, the Group financed its operations by the Net Proceeds and its internal resources. As at 30 June 2020, the Group had net current assets of approximately HK\$54.2 million compared with those of approximately HK\$62.4 million as at 31 December 2019. As at 30 June 2020 and 31 December 2019, 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 2020. As at 30 June 2020, 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 2019. 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 the sections headed “Statement of Business Objectives and Use of Proceeds” in the Prospectus and the sections headed “Forward Outlook” and “Comparison of Business Objectives with Actual Business Progress” in this report above, the Group did not have other plans for material investment or capital assets as at 30 June 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

SIGNIFICANT INVESTMENTS OR MATERIAL ACQUISITIONS AND DISPOSALS

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 2019 and 2020, the Group did not have any material contingent liabilities.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2020, the Group had a total of 42 employees (30 June 2019: 42). 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 executive Directors. For the Period, the Group incurred staff costs, including Directors' remuneration of approximately HK\$6.6 million (Corresponding period: approximately HK\$7 million). The Directors' remuneration has been reduced to HK\$1.69 million. 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 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.

CAPITAL COMMITMENTS

In February 2018, the Group signed an agreement for the development of an ERP system to be delivered by 31 December 2020. As at 30 June 2020, capital commitment was approximately HK\$1.8 million in hardware and software costs. The payment accrued in the Period amounted to HK\$1.4 million in progress payments.

CHARGES ON GROUP'S ASSETS

As at 30 June 2020, the Group had no charges on its assets (31 December 2019: 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 2020, all cash on hand was deposited with licensed financial institutions in Hong Kong SAR and Macau SAR.

MANAGEMENT DISCUSSION AND ANALYSIS

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	
	2020	2019
	HK\$ Unaudited	HK\$ Unaudited
Customer A	5,236,043	N/A [#]
Customer B	1,255,171	4,948,217
Customer C	1,243,762	N/A [#]
Customer D	1,225,190	3,189,375

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

FOREIGN CURRENCY EXPOSURE

The Group bills its customers mainly in US\$, HK\$ and Macau Pataca. The main exposure to foreign currency fluctuations is through ordering from a major European supplier with invoices denominated in EUR. For the Period, the Group reported a net foreign exchange gain of HK\$135,185 (Corresponding Period: gain of HK\$172,800). This was attributable to a slight weakening of the EUR against US\$, which impacted favourably on our EUR payables to our major European supplier. The Group will closely monitor its foreign exchange exposure and will consider hedging significant currency exposure should the need arise.

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 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 571 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	Percentage of the issued Shares*
Mr. Huie, Allen Tat Yan ("Mr. Huie")	Beneficial owner	725,100,000	72.51%
Mr. Ng Man Ho Herman ("Mr. Ng")	Beneficial owner	725,100,000	72.51%
Mr. Chan Chi Lun ("Mr. Chan")	Beneficial owner	725,100,000	72.51%

Note: 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 of the Company and 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, 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. 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 2020.

DISCLOSURE OF INTERESTS

Save as disclosed above, as at 30 June 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 (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 2020, 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 executive Directors 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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 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”.

IMPORTANT EVENTS AFTER THE PERIOD

The Board is not aware of any material event requiring disclosure, that has taken place subsequent to 30 June 2020 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 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 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, 13 August 2020

As at the date of this report, 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 INEDs are Mr. CHOI Kwok Wai, Mr. MA Chi Seng and Mr. HO Kevin King Lun.