



**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

# BY WAY OF SHARE OFFER

Sole Sponsor



Joint Bookrunners and Joint Lead Managers



Supreme China Securities Limited  
智華證券有限公司



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# IMPORTANT

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*If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.*



## 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)*

### LISTING ON THE GROWTH ENTERPRISE MARKET OF THE STOCK EXCHANGE OF HONG KONG LIMITED BY WAY OF SHARE OFFER

Number of Offer Shares	: 250,000,000 Shares (subject to the Offer Size Adjustment Option)
Number of Public Offer Shares	: 25,000,000 Shares (subject to reallocation)
Number of Placing Shares	: 225,000,000 Shares (subject to reallocation and the Offer Size Adjustment Option)
Offer Price	: not more than HK\$0.36 per Offer Share (payable in full upon application, plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, and subject to refund) and expected to be not less than HK\$0.24 per Offer Share
Nominal Value	: HK\$0.01 each
Stock Code	: 8400

#### Sole Sponsor



#### Joint Bookrunners and Joint Lead Managers



Supreme China Securities Limited  
智華證券有限公司

#### Co-Manager



Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, 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 prospectus.

A copy of this prospectus, having attached thereto the documents specified in the paragraph headed "Documents available for inspection" in Appendix V to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other document referred to above.

The Offer Price is expected to be fixed by the Price Determination Agreement to be entered into between the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date, which is expected to be on or about Friday, 3 November 2017 or such later date as the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company may agree. The Offer Price will not be more than HK\$0.36 per Offer Share and is expected to be not less than HK\$0.24 per Offer Share. If, for any reason, the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price by the Price Determination Date, the Share Offer will not become unconditional and will lapse.

The Offer Shares have not been and will not be registered under the US Securities Act or any state securities laws of the US and may not be offered, sold, pledged, or transferred within the US, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and in accordance with any applicable US securities law.

The Joint Bookrunners (for themselves and on behalf of the Underwriters) may, with our consent, reduce the indicative Offer Price range below that stated in this prospectus at any time prior to the Price Determination Date. In such a case, notices of reduction of the indicative Offer Price will be published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company's website at [www.apemacau.com](http://www.apemacau.com).

Prior to making an investment decision, prospective investors should carefully consider all of the information set out in this prospectus, including the risk factors set out in the section headed "Risk factors" in this prospectus.

Prospective investors of the Public Offer should note that the obligations of the Public Offer Underwriters under the Public Offer Underwriting Agreement are subject to termination by the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters) upon the occurrence of any of the events set forth in the paragraph headed "Underwriting – Underwriting arrangements and expenses – Public Offer – Grounds for termination" in this prospectus at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Further details of these termination provisions are set out in the section headed "Underwriting" in this prospectus.

31 October 2017

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## CHARACTERISTICS OF GEM

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GEM has been positioned as a market designed to accommodate 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. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. GEM-listed companies are not generally required to issue paid announcements in gazette newspaper. Accordingly, prospective investors should note that they need to have access to the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) in order to obtain up-to-date information on GEM-listed issuers.

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## EXPECTED TIMETABLE

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*If there is any change in the following expected timetable of the Share Offer, we will issue an announcement in Hong Kong to be published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company's website at [www.apemacau.com](http://www.apemacau.com).*

**2017**  
(Note 1)

- Public Offer commences and **WHITE** and **YELLOW** Application Forms available from . . . . .9:00 a.m. on Tuesday, 31 October
- Application lists for Public Offer open (Note 2) . . . . .11:45 a.m. on Friday, 3 November
- Latest time for lodging **WHITE** and **YELLOW** Application Forms . . . . .12:00 noon on Friday, 3 November
- Latest time to give **electronic application instructions** to HKSCC (Note 3) . . . . .12:00 noon on Friday, 3 November
- Application lists for Public Offer close (Note 2) . . . . .12:00 noon on Friday, 3 November
- Expected Price Determination Date on or before (Note 4) . . . . .Friday, 3 November
- Announcement of (i) the final Offer Price; (ii) the level of indication of interest in the Placing; (iii) the level of applications of the Public Offer; (iv) the basis of allotment and the results of applications in the Public Offer, to be published in our Company's website at [www.apemacau.com](http://www.apemacau.com) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) on or before . . . . .Tuesday, 14 November
- Announcement of results of allocations in the Public Offer (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels including our Company's website at [www.apemacau.com](http://www.apemacau.com) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) (for further details, please refer to the paragraph headed "How to apply for the Public Offer Shares – 10. Publication of results" in this prospectus) on or before . . . . .Tuesday, 14 November
- Results of allocations in the Public Offer will be available at [www.ewhiteform.com.hk/results](http://www.ewhiteform.com.hk/results) with a "search by ID" function on . . . . .Tuesday, 14 November
- Despatch/collection of refund cheques in respect of wholly or partially unsuccessful applications and wholly or partially successful applications in case the final Offer Price is less than the maximum Offer Price paid for the applications pursuant to the Public Offer on or before (Notes 5 to 9) . . . . .Tuesday, 14 November
- Despatch/collection of Share certificates in respect of wholly or partially successful applications pursuant to the Public Offer on or before (Notes 5 to 8 and 10) . . . . .Tuesday, 14 November
- Dealings in Shares on GEM expected to commence at 9:00 a.m. on . . . . .Wednesday, 15 November

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## EXPECTED TIMETABLE

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*Notes:*

1. All times and dates refer to Hong Kong local time, except as otherwise stated. Details of the structure of the Share Offer, including its conditions, are set out in the section headed “Structure and conditions of the Share Offer” in this prospectus.
2. If there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 3 November 2017, the application lists will not open on that day. For further details, please refer to the paragraph headed “How to apply for the Public Offer Shares – 9. Effect of bad weather on the opening of the application lists” in this prospectus.
3. Applicants who apply for the Public Offer Shares by giving **electronic application instructions** to HKSCC should refer to the paragraph headed “How to apply for the Public Offer Shares – 5. Applying by giving electronic application instructions to HKSCC via CCASS” in this prospectus.
4. The Price Determination Date is expected to be on or before Friday, 3 November 2017. If, for any reason, the Offer Price is not agreed on or before Tuesday, 14 November 2017 between our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters), the Share Offer will not proceed and will lapse accordingly.
5. Share certificates for the Public Offer Shares are expected to be issued on or before Tuesday, 14 November 2017 but will only become valid certificates of title at 8:00 a.m. on Wednesday, 15 November 2017 provided that (a) the Share Offer has become unconditional in all respects; and (b) none of the Underwriting Agreements has been terminated in accordance with its terms.
6. Applicants for 1,000,000 Public Offer Shares or more on **WHITE** Application Form(s) may collect their refund cheques (where relevant) and/or Share certificates (where relevant) personally from our Hong Kong Branch Share Registrar, Boardroom Share Registrars (HK) Limited, at 31/F, 148 Electric Road, North Point, Hong Kong from 9:00 a.m. to 1:00 p.m. on Tuesday, 14 November 2017 or any other day as announced by us as the date of despatch of Share certificates/refund cheques.

Individuals who are eligible for personal collection must not authorise any other person(s) to make collection on their behalf. Corporate applicants which opt for personal collection must attend by their authorised representative(s) bearing a letter of authorisation from such corporation(s) stamped with the corporation’s chop. Both individuals and authorized representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Branch Share Registrar.

7. Applicants for 1,000,000 Public Offer Shares or more on **YELLOW** Application Form(s) may collect their refund cheques, if any, in person but may not collect their Share certificates personally which will be deposited into CCASS for the credit of their designated CCASS Participants’ stock accounts or CCASS Investor Participants’ stock accounts, as appropriate. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.
8. Uncollected Share certificates and refund cheques (if any) will be despatched by ordinary post at the applicant’s own risk to the address specified in the relevant Application Form. For further details, applicants should refer to the paragraph headed “How to apply for the Public Offer Shares – 13. Despatch/collection of Share certificates and refund monies” in this prospectus.
9. Refund cheques will be despatched in respect of wholly or partially unsuccessful applications and in respect of successful applications if the final Offer Price is less than the maximum Offer Price of HK\$0.36 per Offer Share.
10. Share certificates will only become valid certificates of title provided that the Share Offer has become unconditional in all respects and neither of the Underwriting Agreements has been terminated in accordance with its terms. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of their Share certificates or prior to the Share certificates becoming valid certificates of title do so entirely at their own risk.

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### IMPORTANT NOTICE TO INVESTORS

*This prospectus is issued by our Company solely in connection with the Share Offer and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Offer Shares offered by this prospectus pursuant to the Share Offer. This prospectus may not be used for the purpose of, and does not constitute, an offer to sell or a solicitation of an offer in any other jurisdiction or in any other circumstances.*

*You should rely only on the information contained in this prospectus to make your investment decision. Our Company, the Sole Sponsor, the Joint Bookrunners and the Underwriters have not authorised any persons to provide you with information that is different from what is contained in this prospectus. Any information or representation not made nor contained in this prospectus must not be relied on by you as having been authorised by our Company, the Sole Sponsor, the Joint Bookrunners, the Underwriters, any of their respective directors or affiliates of any of them, or any other persons or parties involved in the Share Offer. The contents of our Company's website at [www.apemacau.com](http://www.apemacau.com) do not form part of this prospectus.*

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## SUMMARY AND HIGHLIGHTS

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*This summary aims to give you an overview of the information contained in this prospectus. Since this is a summary, it does not contain all the information that may be important to you, and is qualified in its entirety by, and should be read in conjunction with, the full text of this prospectus. You should read this prospectus in its entirety including the appendices hereto before you decide to invest in the Offer Shares.*

*There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed “Risk factors” in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.*

### OVERVIEW

We are the fourth largest Electronic Gaming Equipment supplier by revenue in Macau in 2016. Out of the two types of equipment categorised under our Electronic Gaming Equipment, namely ETGs and EGMs, we focus on the technical sales and distribution of ETGs and we are the largest ETG supplier in Macau in 2016 by revenue with a market share of approximately 30.4%, according to the CIC Report. Our history can be traced back to late 2005 when APE BVI was incorporated by our two founders, Mr. Huie and Mr. Ng, with a view to capturing the growth of the prospering gaming market and developing the sale and distribution business of slot machines in Macau.

We operate as a gaming machine agent independent of any Electronic Gaming Equipment manufacturers. Unlike Electronic Gaming Equipment manufacturers which may have preference with their own products over those manufactured by other manufacturers, our business model has allowed us to offer our customers a diversified range of products based on their business needs.

Our Electronic Gaming Equipment can be broadly categorised into (i) ETGs; and (ii) EGMs. An ETG is composed of a central server, player interface and all interface elements that function cooperatively for the purpose of electronically simulating table game operations. There is no live dealer and the game plays without significant human interaction including the commencement of game play, for all monetary transactions including credit reception, collecting wagers, allocating winnings, and ensuring all wagers are registered correctly. The common types of ETGs include ETG roulette machine, ETG sicbo machine and ETG stadium games. EGM covers all electronic gaming machines excluding multi-terminal gaming machines and server based/supported gaming machines. The common types of EGMs include slot machine and link jackpot slot. Please refer to the paragraph headed “Business – Our business – Our products” in this prospectus for further details.

We provide a full range of integrated services to our customers. Our core business includes (i) the technical sales and distribution of Electronic Gaming Equipment to casino operators; (ii) the provision of consulting services to manufacturers of Electronic Gaming Equipment and technical services to manufacturers and casino operators; and (iii) the provision of repair services to casino operators. Please refer to the paragraph headed “Business – Our business” in this prospectus for further details.

## SUMMARY AND HIGHLIGHTS

The table below shows a breakdown of our revenue by business line during the Track Record Period:

	Year ended 31 December				Four months ended 30 April			
	2015		2016		2016		2017	
	HK\$	%	HK\$	%	HK\$	%	HK\$	%
	(Unaudited)							
Technical sales and distribution	41,636,758	86.4	41,842,696	79.6	12,673,284	83.5	15,498,523	76.7
Consulting and technical services	4,737,401	9.8	8,644,766	16.4	1,754,035	11.6	3,604,796	17.8
Repair services	1,800,621	3.8	2,088,772	4.0	741,450	4.9	1,104,681	5.5
<b>Total</b>	<b>48,174,780</b>	<b>100.0</b>	<b>52,576,234</b>	<b>100.0</b>	<b>15,168,769</b>	<b>100.0</b>	<b>20,208,000</b>	<b>100.0</b>

The table below shows our gross profit and gross profit margin by business line during the Track Record Period:

	Year ended 31 December				Four months ended 30 April			
	2015		2016		2016		2017	
	Gross profit margin		Gross profit margin		Gross profit margin		Gross profit margin	
	HK\$	%	HK\$	%	HK\$	%	HK\$	%
	(Unaudited)							
Technical sales and distribution	15,595,193	37.5	16,285,544	38.9	5,738,922	45.3	5,996,710	38.7
Consulting and technical services	3,667,432	77.4	6,643,493	76.8	1,377,267	78.5	3,165,672	87.8
Repair services	277,369	15.4	299,310	14.3	105,851	14.3	160,833	14.6
<b>Total</b>	<b>19,539,994</b>	<b>40.6</b>	<b>23,228,347</b>	<b>44.2</b>	<b>7,222,040</b>	<b>47.6</b>	<b>9,323,215</b>	<b>46.1</b>

The increase in the gross profit margin was mainly attributable to the increase in gross profit margin of technical sales and distribution of Electronic Gaming Equipment and increase in total gross profit from consulting and technical services which is of higher gross profit margin.

During the Track Record Period, we derived a majority of our revenue from our technical sales and distribution business, in particular the technical sales and distribution of ETGs. The table below sets out a breakdown of our Group's revenue by product category under our technical sales and distribution business during the Track Record Period:

	Year ended 31 December				Four months ended 30 April			
	2015		2016		2016		2017	
	HK\$	%	HK\$	%	HK\$	%	HK\$	%
	(Unaudited)							
ETGs	36,768,544	88.3	37,213,433	88.9	11,177,438	88.2	13,543,413	87.4
EGMs	301,394	0.7	2,891,561	6.9	1,034,700	8.2	1,677,490	10.8
Spare parts	4,566,820	11.0	1,737,702	4.2	461,146	3.6	277,620	1.8
<b>Total</b>	<b>41,636,758</b>	<b>100.0</b>	<b>41,842,696</b>	<b>100.0</b>	<b>12,673,284</b>	<b>100.0</b>	<b>15,498,523</b>	<b>100.0</b>

## SUMMARY AND HIGHLIGHTS

The table below sets out a breakdown of our gross profit and gross profit margin by product categories of technical sales and distribution during the Track Record Period:

	Year ended 31 December				Four months ended 30 April			
	2015		2016		2016		2017	
	<i>Gross profit margin</i>		<i>Gross profit margin</i>		<i>Gross profit margin</i>		<i>Gross profit margin</i>	
	HK\$	%	HK\$	%	HK\$	%	HK\$	%
	(Unaudited)							
ETGs	13,627,515	37.1	15,257,303	41.0	5,490,961	49.1	5,214,905	38.5
EGMs	104,088	34.5	679,035	23.5	169,949	16.4	709,094	42.3
Spare parts	1,863,590	40.8	349,206	20.1	78,012	16.9	72,711	26.2
	<u>15,595,193</u>	<u>37.5</u>	<u>16,285,544</u>	<u>38.9</u>	<u>5,738,922</u>	<u>45.3</u>	<u>5,996,710</u>	<u>38.7</u>

During the Track Record Period, the fluctuations of the gross profit margin of our Electronic Gaming Equipment and its spare parts sold are mainly due to different factors, among others, such as different brands, versions, designs and technical services involved.

The table below shows the number of seats for ETGs and EGMs sold by us during the Track Record Period:

	For the year ended 31 December				For the four months ended 30 April			
	2015		2016		2016		2017	
	<i>Number of seats</i>		<i>Number of seats</i>		<i>Number of seats</i>		<i>Number of seats</i>	
	seats	%	seats	%	seats	%	seats	%
ETGs	212	99.1	224	91.8	64	88.9	56	82.4
EGMs	2	0.9	20	8.2	8	11.1	12	17.6
<b>Total</b>	<u>214</u>	<u>100.0</u>	<u>244</u>	<u>100.0</u>	<u>72</u>	<u>100.0</u>	<u>68</u>	<u>100.0</u>

The average selling price per seat of Electronic Gaming Equipment sold by us for the two years ended 31 December 2016 and the four months ended 30 April 2017 is approximately HK\$173,000, HK\$164,000 and HK\$224,000 respectively. There was an increase in average selling price from approximately HK\$164,000 for the year ended 31 December 2016 to HK\$224,000 for the four months ended 30 April 2017 mainly due to the sale of 32 seats of ETGs with special materials and lamination to a customer during the four months ended 30 April 2017. The average selling price of Electronic Gaming Equipment per seat during May to August 2017 has gone back to a level similar to that in each of the two years ended 31 December 2016 and in line with the industry.

Since the commencement of our business, we have focused our business primarily in Macau. In 2014, we expanded our customer base to South East Asia. During the Track Record Period, we generated all of our revenue in Macau.

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## SUMMARY AND HIGHLIGHTS

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According to the CIC Report, it is expected that there will be a growing demand for Electronic Gaming Equipment in some of the Asian countries, for example the Philippines, Malaysia, Cambodia and South Korea, based on the expected expansion of existing casinos and building of new casinos in those countries between 2016 and 2020. As used ETGs and EGMs require lower purchase cost, it is expected that casinos in South East Asia, especially small-scale ones, are growing increasingly open to used gaming machines. It is expected that the size of used ETG and EGM market in South East Asia will reach approximately USD11.8 million in 2020, with a CAGR of approximately 20.1% between 2016 and 2020. For more details of the South East Asian market, please refer to the paragraph headed “Industry overview – Overview of ETG and EGM market in South East Asia” in this prospectus. We endeavour to expand our customer base and broaden our revenue stream by refurbishing and reselling used Electronic Gaming Equipment in Macau. Based on our discussions with several prospective customers who indicated that casinos in South East Asia have interests in purchasing refurbished Electronic Gaming Equipment and have preliminary interests of over 50 refurbished Electronic Gaming Equipment, we expect that our prospective customers will purchase such Electronic Gaming Equipment for re-selling to end users in South East Asia. It is anticipated that the refurbishment and sale will take place in Macau and our customers will collect the refurbished Electronic Gaming Equipment in Macau and arrange for export themselves. Our Group currently does not intend to sell any refurbished Electronic Gaming Equipment to customers in South East Asia directly. Our customers shall be responsible for complying with laws and regulations applicable to the Electronic Gaming Equipment industry (if any) in the target South East Asian countries. We also intend to purchase Electronic Gaming Equipment for lease to casino operators in Macau.

### CUSTOMERS

Our customers are mainly casino operators in Macau, and also include manufacturers of Electronic Gaming Equipment. While we focused our business in Macau during the Track Record Period, we have expanded our customer base to South East Asia since 2014. Along with the provision of consulting and technical services to manufacturers of Electronic Gaming Equipment, we were able to reach a wider customer base covering different regions of the world in addition to Macau.

During the Track Record Period, four of our top five customers were customers engaging our technical sales and distribution services. For the two years ended 31 December 2016 and the four months ended 30 April 2017, our five largest customers accounted for approximately 92.0%, 88.2% and 85.6%, respectively of our total revenue, while the largest customer accounted for approximately 63.2%, 24.1% and 44.5%, respectively of our total revenue for the respective periods.

### SUPPLIERS

We have established strong relationships with a wide range of Electronic Gaming Equipment manufacturers which we believe have strong reputation for product quality and reliability, including some major gaming technology manufacturers in the gaming machine manufacturing industry, such as Alphabet, Konami and Spintec. Our suppliers for Electronic Gaming Equipment and its spare parts include suppliers in Slovenia, Australia, Taiwan and Macau.

For the two years ended 31 December 2016 and the four months ended 30 April 2017, our five largest suppliers accounted for approximately 98.5%, 96.8% and 100%, respectively of our total purchases, while the largest supplier accounted for approximately 48.7%, 49.1% and 73.5%, respectively of our total purchases for the respective periods.

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## SUMMARY AND HIGHLIGHTS

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### MARKET AND COMPETITION

According to the CIC Report, Macau's gaming machine market was highly concentrated, with the top seven participants accounting for an aggregate market share of approximately 90.8% in terms of sales revenue of Electronic Gaming Equipment in 2016. There were approximately 16 manufacturers selling ETGs in Macau in 2016. The ETG market in Macau was highly concentrated with the top three suppliers accounting for an aggregate market share of approximately 83.5% in terms of sales revenue in 2016. We were the largest ETG supplier in Macau in 2016, with an aggregate market share in terms of sales revenue of approximately 30.4%.

The entry barrier of Macau's Electronic Gaming Equipment market is relatively high, due to strict industry standards, high technical requirements and strong business relationship between existing providers and casino operators in Macau. The gaming industry in Macau is highly concentrated with only six licensed gaming concessionaires operating all the casinos in Macau. Casino operators select Electronic Gaming Equipment providers based on their reputation, business relationship, price, quality, and other aspects. With no established brand or distribution network, new entrants are expected to spend considerable time and capital if they are to establish business relationship with major casino operators in Macau.

### OUR COMPETITIVE STRENGTHS

We believe that our competitive strengths are as follows:

- We are the fourth largest Electronic Gaming Equipment supplier and the largest ETG supplier in Macau in 2016
- Diversified product offerings to casino operators
- Experienced and dedicated management team
- Strong local knowledge of the Electronic Gaming Equipment market in Macau
- Full range of customised and integrated services
- Strong relationships with our major suppliers
- Established track record and strong relationship with casino operators in Macau

### BUSINESS OBJECTIVES AND STRATEGIES

Our primary business objectives are to further strengthen our position as an Electronic Gaming Equipment technical solution provider in order to broaden our income source, expand our customer base, achieve sustainable growth and create long-term shareholder's value. We intend to achieve our business objectives by pursuing the following strategies:

- Securing more trial products and increasing sales
- Capturing future opportunities in the gaming market by leasing Electronic Gaming Equipment to casino operators in Macau
- Capitalising on the potential demand in South East Asia for refurbished Electronic Gaming Equipment

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## SUMMARY AND HIGHLIGHTS

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- Expanding our sales and marketing team and technical team
- Moving to new office premises with workshop and warehouse
- Improving our operating efficiency through new ERP system and purchasing of tools and equipment

For details on the implementation of the aforementioned business strategies, please refer to the section headed “Statement of business objectives and use of proceeds” in this prospectus.

### OUR CONTROLLING SHAREHOLDERS

Immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be issued upon exercise of any option which may be granted under the Share Option Scheme and any Shares which may be issued pursuant to the Offer Size Adjustment Option), our ultimate Controlling Shareholders, Mr. Huie, Mr. Ng and Mr. Chan, acting in concert as a group of Controlling Shareholders and through their holding company, namely APE HAT, will indirectly hold in aggregate approximately 72.51% interest in our Company. Please refer to the section headed “Substantial Shareholders” in this prospectus for details of the shareholding interest of our Controlling Shareholders.

### SUMMARY OF HISTORICAL FINANCIAL INFORMATION

#### Summary of consolidated statements of profit or loss and other comprehensive income

	Year ended 31 December				Four months ended 30 April			
	2015		2016		2016		2017	
	HK\$	%	HK\$	%	HK\$	%	HK\$	%
	(Unaudited)							
Revenue	48,174,780	100.0	52,576,234	100.0	15,168,769	100.0	20,208,000	100.0
Cost of sales and services	(28,634,786)	(59.4)	(29,347,887)	(55.8)	(7,946,729)	(52.4)	(10,884,785)	(53.9)
Gross profit	19,539,994	40.6	23,228,347	44.2	7,222,040	47.6	9,323,215	46.1
Other income, gains and losses	1,115,101	2.3	901,770	1.7	429,856	2.8	176,086	0.9
Operating expenses	(6,201,815)	(12.9)	(8,339,545)	(15.9)	(2,380,586)	(15.6)	(3,050,014)	(15.0)
Listing expenses	-	-	(4,331,870)	(8.2)	-	-	(5,003,756)	(24.8)
Profit before tax	14,453,280	30.0	11,458,702	21.8	5,271,310	34.8	1,445,531	7.2
Income tax expense	(1,694,582)	(3.5)	(1,896,421)	(3.6)	(586,935)	(3.9)	(761,271)	(3.8)
Profit and total comprehensive income for the year	<u>12,758,698</u>	<u>26.5</u>	<u>9,562,281</u>	<u>18.2</u>	<u>4,684,375</u>	<u>30.9</u>	<u>684,260</u>	<u>3.4</u>

## SUMMARY AND HIGHLIGHTS

### Summary of consolidated statements of financial position

	As at 31 December		As at 30 April
	2015	2016	2017
	HK\$	HK\$	HK\$
Current assets	30,909,238	27,279,803	31,713,450
Current liabilities	14,311,985	14,055,748	24,284,617
Net current assets	16,597,253	13,224,055	7,428,833
Total equity	16,862,513	13,929,648	8,113,908

### Summary of consolidated statements of cash flows

	Year ended 31 December		Four months ended 30 April	
	2015	2016	2016	2017
	HK\$	HK\$	HK\$	HK\$
			(Unaudited)	
Net cash from operating activities	15,346,140	6,023,417	(1,905,154)	13,034,954
Net cash (used in) from investing activities	(9,363,561)	2,280,174	2,659,239	(53,599)
Net cash used in financing activities	(4,705,650)	(7,409,786)	–	(8,022,683)
Net increase in cash and cash equivalents	1,276,929	893,805	754,085	4,958,672
Cash and cash equivalents at beginning of year	13,539,873	14,816,802	14,816,802	15,710,607
Cash and cash equivalents at end of year	<u>14,816,802</u>	<u>15,710,607</u>	<u>15,570,887</u>	<u>20,669,279</u>
Operating cash flows before movements in working capital	<u>14,557,197</u>	<u>11,687,875</u>	<u>5,311,360</u>	<u>1,519,211</u>

### Key financial ratios

	Year ended 31 December		Four months ended 30 April
	2015	2016	2017
Gross profit margin (%) <sup>(1)</sup>	40.6	44.2	46.1
Net profit margin (%) <sup>(2)</sup>	26.5	18.2	3.4
Return on equity (%) <sup>(3)</sup>	75.7	68.6	25.3
Return on total assets (%) <sup>(4)</sup>	40.9	34.2	6.3
Current ratio <sup>(5)</sup>	2.2	1.9	1.3
Quick ratio <sup>(6)</sup>	2.0	1.9	1.3
Gearing ratio (%) <sup>(7)</sup>	N/A	N/A	N/A
Net debt to equity ratio <sup>(8)</sup>	N/A	N/A	N/A

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## SUMMARY AND HIGHLIGHTS

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### *Notes:*

1. Gross profit margin for each of the two years ended 31 December 2016 and the four months ended 30 April 2017 was calculated on gross profit divided by revenue for the respective periods. Please refer to the paragraph headed “Financial information – Review of historical results of operations” in this prospectus for more details on our gross profit margins.
2. Net profit margin for each of the two years ended 31 December 2016 and the four months ended 30 April 2017 was calculated on net profit for the year divided by revenue for the respective periods. Please refer to the paragraph headed “Financial information – Review of historical results of operations” in this prospectus for more details on our net profit margins.
3. Return on equity is calculated by dividing profit for the year by total equity of the respective year/period and multiplying the resulting value by 100% (profit for the four months ended 30 April 2017 has been annualised for calculations).
4. Return on assets is calculated by dividing profit for the year by total assets of the respective year/period and multiplying the resulting value by 100% (profit for the four months ended 30 April 2017 has been annualised for calculations).
5. Current ratio is calculated as the total current assets divided by the total current liabilities.
6. Quick ratio is calculated as total current assets less inventories and divided by total current liabilities.
7. Gearing ratio is calculated as the total debt divided by total equity and multiplied by 100%.
8. Net debt to equity ratio is calculated as total borrowings net of cash and cash equivalents and restricted cash, and divided by total equity and multiplied by 100%.

### **DIVIDENDS**

The declaration of future dividends will be subject to our Directors’ decision and will depend on factors such as our operations, earnings, financial condition, cash requirements and availability, capital expenditure and future development requirements and any other factors our Directors may consider relevant. Currently, we do not have any dividend policy, nor do we have any predetermined dividend distribution ratio.

During the two years ended 31 December 2016 and the four months ended 30 April 2017, dividends of approximately HK\$7.0 million, HK\$12.5 million and HK\$6.5 million, respectively were declared and paid by APE BVI to its shareholders. However, this should not be used as a reference or basis to determine the level of dividend that may be declared or paid by us in the future. Save for the aforesaid, our Group did not declare and/or pay any other dividend during the Track Record Period.

### **LISTING EXPENSES**

We expect to incur a total of HK\$24.8 million of Listing expenses (assuming an Offer Price of HK\$0.30, being the mid-point of the indicative Offer Price range between HK\$0.24 and HK\$0.36, and assuming that the Offer Size Adjustment Option is not exercised) until the completion of the Share Offer, of which HK\$4.3 million and HK\$5.0 million was charged to our consolidated statements of profit or loss and other comprehensive income for the year ended 31 December 2016 and the four months ended 30 April 2017, respectively, HK\$7.0 million is expected to be charged to our consolidated statements of profit or loss and other comprehensive income for the period from 1 May 2017 to 31 December 2017, and HK\$8.5 million is directly attributable to the issue of the Shares to the public and to be capitalised. The Listing expenses are expected to have a material adverse impact on our financial results for the year ending 31 December 2017. Listing expenses represent professional fees and other fees incurred in connection with the Listing, including underwriting commissions. The above Listing expenses are the best estimate as of the Latest Practicable Date and for reference only and the actual amount may differ from this estimate.

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## SUMMARY AND HIGHLIGHTS

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### REASONS FOR THE SHARE OFFER AND BENEFITS OF LISTING

Our Directors believe that the Listing will strengthen our position as an Electronic Gaming Equipment technical solution provider. As our Group grows and expands along with the growth of the gaming industry in Macau, our Directors are of the view that additional capital is required for: (i) securing more trial products and increasing sales; (ii) capturing future opportunities in the gaming market by leasing Electronic Gaming Equipment to casino operators in Macau; (iii) capitalising on the potential demand in South East Asia for refurbished Electronic Gaming Equipment; (iv) expanding our sales and marketing team and technical team; (v) moving to new office premises with workshop and warehouse; and (vi) improving our operating efficiency through new ERP system and purchasing of tools and equipment. Please refer to the paragraph headed “Statement of business objectives and use of proceeds – Reasons for the Share Offer and benefits of Listing” in this prospectus for further details on the reasons for the Share Offer and benefits of Listing.

### USE OF PROCEEDS

We intend to raise funds by Share Offer in order to pursue our business objectives and strategies. For further details, please refer to the section headed “Statement of business objectives and use of proceeds” in this prospectus.

We estimate that the aggregate net proceeds of the Share Offer (after deducting underwriting fees and estimated Listing expenses payable by us in connection with the Share Offer) based on the Offer Price of HK\$0.30 per Offer Share, being the mid-point of the indicative Offer Price range between HK\$0.24 and HK\$0.36, will be approximately HK\$50.2 million. We currently intend to apply such net proceeds (assuming that the Offer Size Adjustment Option is not exercised) in the following manner:

- approximately HK\$21.8 million, representing approximately 43.4% of the net proceeds from the Share Offer, will be used as upfront deposits for manufacturers to provide more trial products;
- approximately HK\$8.7 million, representing approximately 17.3% of the net proceeds from the Share Offer, will be used for procuring Electronic Gaming Equipment for lease to casino operators in Macau;
- approximately HK\$6.4 million, representing approximately 12.8% of the net proceeds from the Share Offer, will be used for procuring and refurbishment of used Electronic Gaming Equipment for resale in Macau to customers whom we expect will have South East Asia as their end market;
- approximately HK\$8.5 million, representing approximately 16.9% of the net proceeds from the Share Offer, will be used for enhancing our Group’s market recognition in Macau and South East Asia, identify more manufacturers of Electronic Gaming Equipment and strengthening our in-house capability to provide repair services. To this end, we intend to expand our sales and marketing and technical team by hiring 17 additional staff;

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## SUMMARY AND HIGHLIGHTS

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- approximately HK\$0.3 million, representing approximately 0.6% of the net proceeds from the Share Offer, will be used for relocation of our office premises in order to integrate our offices, technical workshop for repair and maintenance, and warehouse for storage into a larger usable area;
- approximately HK\$3.2 million, representing approximately 6.4% of the net proceeds from the Share Offer, will be used for purchase of tools and equipment and new ERP system to enhance our operating efficiency; and
- approximately HK\$1.3 million, representing approximately 2.6% of the net proceeds from the Share Offer, will be used for general working capital of our Group.

Please refer to the section headed “Statement of business objectives and use of proceeds” in this prospectus for further details of our use of proceeds and the implementation plan of our business strategies, as well as the reasons for the Listing and the Share Offer.

### RECENT DEVELOPMENT

Our business model and operational structure remained primarily unchanged since 30 April 2017 and up to the Latest Practicable Date. Subsequent to the Track Record Period and up to the Latest Practicable Date, our Group has continued to focus on developing our business to provide a full range of integrated services to manufacturers of Electronic Gaming Equipment and casino operators. On the other hand, we also continue to explore other business opportunities in order to broaden our revenue stream. Our revenue for the four months ended 31 August 2017 has increased significantly as compared to the four months ended 31 August 2016 due to an increase in sales volume including sale of over 200 seats of Electronic Gaming Equipment during May to August 2017 to two of our existing major customers and a new customer. We are currently in discussion with a casino operator in Macau for the leasing of 20 Electronic Gaming Equipment to it. We are also in discussion with a casino operator in Macau for the purchase of 300 used Electronic Gaming Equipment by stages and with a prospective customer with business operation in South East Asia for the sale of 50 to 60 refurbished Electronic Gaming Equipment. Such potential business opportunities are still under preliminary discussion and no formal agreement or memorandum of understanding had been entered into by our Group.

For the four months ended 31 August 2017, our gross profit margin for technical sales and distribution and consulting services remained relatively stable, while our gross profit margin for repair services increased as all repair works were performed by our in-house technical team from June to August 2017 while repair works were mainly outsourced during Track Record Period.

As far as we are aware, our industry remained relatively stable after the Track Record Period and there was no material adverse change in the general economic and market conditions in the markets or industry in which we operate that had affected or would affect our business operations or financial operation materially and adversely since 30 April 2017.

Save for the impact of the Listing expenses as disclosed in the paragraph headed “Listing expenses” in this section above and the paragraph headed “Financial information – Material adverse change” in this prospectus, which is expected to have a material adverse impact on our

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## SUMMARY AND HIGHLIGHTS

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financial results for the year ending 31 December 2017, our Directors confirm that, up to the date of this prospectus, there has been no material adverse change to our financial or trading position or prospects since 30 April 2017, being the date to which our most recent audited consolidated financial statements were prepared, and since that date, there has been no event up to the Latest Practicable Date that would materially affect the information shown in our consolidated financial statements included in the Accountants' Report set out in Appendix I to this prospectus.

### OFFER STATISTICS

All statistics in this table are based on the assumption that the Offer Size Adjustment Option would not be exercised:

	<b>Based on the Offer Price of HK\$0.24 per Offer Share</b>	<b>Based on the Offer Price of HK\$0.36 per Offer Share</b>
Market capitalisation of the Shares ( <i>Note 1</i> )	HK\$240,000,000	HK\$360,000,000
Unaudited pro forma adjusted consolidated net tangible assets per Share ( <i>Note 2</i> )	HK\$53,373,000	HK\$81,873,000

*Notes:*

1. The calculation of the market capitalisation of the Shares is based on 250,000,000 Shares in issue immediately after completion of the Share Offer and the Capitalisation Issue.
2. The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at on the basis of the respective Offer Prices of HK\$0.24 and HK\$0.36 per Offer Share and 1,000,000,000 Shares in issue immediately following completion of the Capitalisation Issue and the Share Offer but taking no account of any Shares which may be allotted and issued pursuant to the exercise of any options that may be granted under the Share Option Scheme or any Shares which may be issued or repurchased by the Company pursuant to the Company's general mandate.

### RISK FACTORS

We believe that there are certain risks involved in our operations, some of which are beyond our control. More details of the risks we are exposed to are set out in the section headed "Risk factors" in this prospectus. The following highlights some of the risks which are considered to be material by our Directors:

- The loss of, or failure to obtain or renew the necessary regulatory approval or registrations could adversely affect our business, financial condition and results of operations
- We rely on a few major suppliers for the supply of Electronic Gaming Equipment
- Suppliers may enter the market and sell Electronic Gaming Equipment by direct sales
- Our suppliers not on DICJ's approved list may not cooperate with us to resolve issues relating to Electronic Gaming Equipment

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## SUMMARY AND HIGHLIGHTS

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- Our business performance may be affected by our ability to forecast market trend and preference of casino operators and players
- If we lose the services of our key management personnel, our business, financial condition and results of operations could be materially and adversely affected
- Changes in our relationships with our major customers, or in the trade terms with these customers, may reduce our revenue
- We could be adversely affected if our operations resulted in sales or provision of services to certain countries that are or become subject to economic sanctions of the U.S., the E.U., the U.N. and other relevant sanctioned authorities
- We may be subject to claims associated with product liabilities or infringement of intellectual property rights
- We may be subject to credit risk resulting from our suppliers' failure to refund to us trial deposits
- We may be unable to implement our future plans successfully
- Our past revenue and profitability track record is by no means indicative of our future performance
- We are subject to credit risk in respect of our trade receivables from customers
- Net cash outflow from operating activities for the four months ended 30 April 2016
- Our insurance coverage may be insufficient to protect us against potential liabilities arising in the course of operations

### **BUSINESS ACTIVITIES INVOLVING CUSTOMERS LOCATED IN SANCTIONED COUNTRIES**

During the Track Record Period, we generated a small portion of our total revenue from the provision of technical services to two customers located in Serbia, which is a Sanctioned Country. Such customers are manufacturers of Electronic Gaming Equipment and their products are used by certain casino operators in Macau. The technical services provided by us include maintenance, repair, replacement, technical support and related services with respect to their products which are in use in Macau. The services were not provided in Serbia. All of the services were provided in Macau. For the two years ended 31 December 2016 and the four months ended 30 April 2017, we derived approximately 0.7%, 0.4% and nil respectively of our total revenue from such customers.

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## SUMMARY AND HIGHLIGHTS

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As advised by Nixon Peabody LLP, our legal adviser as to International Sanctions laws relating to Serbia, (i) the two Serbian customers to whom these services were provided are/were not specifically identified on the Specially Designated Nationals and Blocked Persons List maintained by OFAC or other restricted parties lists maintained by the United States, the EU, the United Nations or Australia during the Track Record Period and as at the Latest Practicable Date; and (ii) such provision of services to the two customers located in Serbia is/was not deemed to be a prohibited activity under, and does/did not result in a violation of the United States, United Nations, EU, or Australia sanctions laws relating to Serbia during the Track Record Period and as at the Latest Practicable Date. Please refer to the paragraph headed “Business – Business activities involving customers located in Sanctioned Countries, specifically Serbia” in this prospectus for further details.

### LITIGATION

During the Track Record Period and up to the Latest Practicable Date, there is no pending material litigation against or initiated by any member of our Group in Hong Kong, Macau or elsewhere and we have not received any threats on such litigation.

### REGULATORY COMPLIANCE

Our Directors confirmed that during the Track Record Period and up to the Latest Practicable Date, there was no non-compliance incident which is material impact non-compliance or systemic non-compliance. Our Directors also confirmed that during the Track Record Period and up to the Latest Practicable Date, our Group has obtained all the approvals, permits, consents, licences and registrations required for our business and operations and all of them are in force.

It is the opinion of our Macau legal adviser that the mode of operations as a gaming machine agent carried out by our Group in Macau is lawful and is in compliance with the applicable laws of Macau.

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## DEFINITIONS

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*In this prospectus, unless the context otherwise requires, the following expressions shall have the following meanings:*

“affiliate(s)”	any person(s), directly or indirectly, controlling, controlled by or under direct or indirect common control with another person(s)
“Alphabet”	Alphabet Technology Ltd., a company incorporated in Taiwan and a manufacturer of Electronic Gaming Equipment
“APE BVI”	Asia Pioneer Entertainment, Ltd., a company incorporated in the BVI with limited liability on 14 November 2005 and a direct wholly-owned subsidiary of our Company
“APE HAT”	APE HAT Holdings Limited, a company incorporated in BVI with limited liability on 16 December 2016 and a Controlling Shareholder of our Company
“APE Macau”	Asia Pioneer Entertainment Limited, a company incorporated in Macau with limited liability on 24 May 2006 and an indirect wholly-owned subsidiary of our Company
“APE Special 1”	APE Special 1 Limited, a company incorporated in BVI with limited liability on 28 November 2016 and a direct wholly-owned subsidiary of our Company
“APE Special 2”	APE Special 2 Limited, a company incorporated in BVI with limited liability on 28 November 2016 and a direct wholly-owned subsidiary of our Company
“Application Form(s)”	<b>WHITE</b> Application Form(s) and <b>YELLOW</b> Application Form(s), or where the context so requires, any of them that are used in connection with the Public Offer
“Articles of Association” or “Articles”	the articles of association of our Company conditionally adopted by our Shareholders on 25 October 2017 and effective on the Listing Date and as amended or supplemented from time to time, a summary of which is set out in the paragraph headed “2. Articles of Association” in Appendix III to this prospectus

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## DEFINITIONS

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“associate(s)”	has the meaning ascribed to it in the GEM Listing Rules
“Avanzare”	Avanzare Limited, a limited company incorporated in Hong Kong on 21 June 2013 and an indirect wholly-owned company of Mr. Chan
“Baker Tilly”	Baker Tilly Hong Kong Risk Assurance Limited, an independent internal control adviser
“Board” or “Board of Directors”	the board of Directors
“business day”	a day (other than a Saturday or Sunday or public holiday) on which licensed banks in Hong Kong are generally open for normal banking business
“BVI”	the British Virgin Islands
“Capitalisation Issue”	the issue of 749,997,500 Shares to be made upon capitalisation of certain sums standing to the credit of the share premium account of our Company as referred to in the paragraph headed “Further information about our Company – 3. Resolutions in writing of all Shareholders passed on 25 October 2017” in Appendix IV to this prospectus
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Operational Procedures”	the operational procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operations and functions of CCASS, as from time to time in force
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant

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## DEFINITIONS

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“China” or “PRC”	the People’s Republic of China, which for the purpose of this prospectus only and except where the context requires otherwise, excludes Hong Kong, Macau and Taiwan
“CIC”	China Insights Consultancy Limited, an independent professional market research and consulting company
“CIC Report”	the independent industry report dated 31 October 2017 commissioned by our Company and prepared by CIC
“close associate(s)”	has the meaning ascribed to it in the GEM Listing Rules
“Companies Law”	the Companies Law (as revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies (WUMP) Ordinance”	the Companies (Winding Up and Miscellaneous Provision) Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Company” or “Our Company”	Asia Pioneer Entertainment Holdings Limited, a company incorporated in the Cayman Islands on 22 February 2017 as an exempted company with limited liability
“Controlling Shareholder(s)”	the controlling shareholder(s) (having the meaning ascribed to it in the GEM Listing Rules) of our Company, namely, Mr. Huie, Mr. Ng, Mr. Chan and APE HAT, details of their shareholdings are set out in the section headed “Relationship with Controlling Shareholders” in this prospectus

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## DEFINITIONS

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“Deed of Concert Parties”	the deed of concert parties dated 10 March 2017 executed by our Controlling Shareholders (other than APE HAT), namely, Mr. Huie, Mr. Ng and Mr. Chan, to confirm, agree and acknowledge, among other things, that they are parties acting in concert in relation to our Group since 1 January 2015, details of which are set out in the paragraph headed “History, Reorganisation and corporate structure – History and development – Deed of Concert Parties” in this prospectus
“Deed of Indemnity”	the deed of indemnity dated 25 October 2017 entered into by our Controlling Shareholders in favour of our Company (for ourselves and as trustee for and on behalf of each of our subsidiaries), particulars of which are set out in the paragraph headed “Other information – 1. Indemnity” in Appendix IV to this prospectus
“Deed of Non-competition”	the deed of non-competition undertaking dated 25 October 2017 entered into between our Controlling Shareholders and our Company (for ourselves and as trustee for and on behalf of our subsidiaries), particulars of which are set out in the paragraph headed “Relationship with Controlling Shareholders – Non-competition undertaking” in this prospectus
“DICJ”	the Direção de Inspeção e Coordenação de Jogos (the Gaming Inspection and Coordination Bureau of Macau)
“Director(s)”	the director(s) of our Company
“EU”	the European Union, a political-economic union of member states primarily located in Europe
“Euro”	Euro, the lawful currency of the EU
“Galaxy”	Galaxy Casino, S.A., a company incorporated in Macau and one of the six Macau’s licensed gaming concessionaires
“Gaming Commission”	Gaming Commission of Macau
“Gaming Law”	Law No. 16/2001 of Macau (Legal Framework for the Operations of Games of Fortune)

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## DEFINITIONS

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“GDP”	gross domestic product
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM (as amended from time to time)
“General Rules of CCASS”	the terms and conditions regulating the use of CCASS, as may be amended or modified from time to time and where the context so permits, shall include the CCASS Operational Procedures
“Group” or “us” or “we” or “our” or “ourselves”	our Company together with our subsidiaries or, where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, such subsidiaries as if they were our Company’s subsidiaries at that time
“HK\$” or “HKD” and “HK cent(s)”	Hong Kong dollar(s) and cent(s) respectively, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Branch Share Registrar”	Boardroom Share Registrars (HK) Limited
“IFRSs”	International Financial Reporting Standards issued by the International Accounting Standard Board
“Independent Third Party(ies)”	an individual(s) or a company(ies) who or which is/are independent from and not connected with (within the meaning of the GEM Listing Rules) any director, chief executive, substantial shareholder of our Company, its subsidiaries or any of their respective associates

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## DEFINITIONS

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“International Sanctions”	all applicable sanctions, related laws and regulations including those administered and enforced by the United States, the EU and its member states, the United Nations, and Australia
“JNV”	Jorge Neto Valente – Lawyers & Notaries, legal adviser to our Company as to Macau Law
“Joint Bookrunners”	Southwest HK Brokerage and Supreme China as joint bookrunners of the Share Offer
“Joint Lead Managers”	Southwest HK Brokerage and Supreme China as joint lead managers of the Share Offer
“Jumbo”	Jumbo Technology Co., Ltd., a company incorporated in Taiwan and a manufacturer of Electronic Gaming Equipment
“Konami”	Konami Australia Pty Limited, a company incorporated in Australia and a manufacturer of Electronic Gaming Equipment
“Kuawai”	Kuawai Technology Limited, a company incorporated in Macau and is wholly-owned by two relatives of Mr. Ip, a senior management of our Company and our assistant general manager (technical)
“Latest Practicable Date”	22 October 2017, being the latest practicable date prior to the printing of this prospectus for ascertaining certain information in this prospectus
“Listing”	the listing of the Shares on GEM
“Listing Committee”	the listing sub-committee of the board of directors of the Stock Exchange
“Listing Date”	the date on which dealings in the Shares on the GEM first commence, which is expected to be on Wednesday, 15 November 2017
“Listing Division”	the listing division of the Stock Exchange
“Macau”	the Macau Special Administrative Region of the PRC
“Macau Government”	the government of Macau

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## DEFINITIONS

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“Melco”	Melco Crown (Macau) Ltd., a company incorporated in Macau and one of the six Macau’s licensed gaming concessionaires
“Memorandum of Association” or “Memorandum”	the memorandum of association of our Company adopted upon the incorporation of our Company, as amended or supplemented from time to time
“MGM”	MGM Grand Paradise, S.A., a company incorporated in Macau and one of the six Macau’s licensed gaming concessionaires
“MOP”	Macau pataca, the lawful currency of Macau
“Mr. Chan”	Mr. Chan, Chi Lun (陳子倫), a Controlling Shareholder of our Company
“Mr. Choi”	Mr. Choi Kwok Wai (蔡國偉), an independent non-executive Director of our Company
“Mr. Ho”	Mr. Ho Kevin King Lun (何敬麟), an independent non-executive Director of our Company
“Mr. Huie”	Mr. Huie, Allen Tat Yan (許達仁), an executive Director and a Controlling Shareholder of our Company
“Mr. Ip”	Mr. Ip Wai Wai (葉偉偉), a senior management of our Company and our assistant general manager (technical)
“Mr. Ma”	Mr. Ma Chi Seng (馬志成), an independent non-executive Director of our Company
“Mr. Ng”	Mr. Ng, Man Ho Herman (吳民豪), an executive Director and a Controlling Shareholder of our Company
“Mr. Kaizu”	Mr. Yuki Kaizu, a senior management of our Company and our consultancy and supplier development director
“Ms. Chan”	Ms. Chan Ka Ian (陳家欣), a senior management of our Company and our assistant general manager (sales and marketing)
“Ms. Kong”	Ms. Kong Kam Pui (江錦珮), one of our shareholders and an Independent Third Party

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## DEFINITIONS

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“OFAC”	The Office of Foreign Assets Control of the US Department of Treasury
“Offer Price”	the final price for each Offer Share (excluding brokerage fee, SFC transaction levy and Stock Exchange trading fee), which will be not more than HK\$0.36 per Offer Share and is expected to be not less than HK\$0.24 per Offer Share, such price to be agreed and determined by our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) on the Price Determination Date
“Offer Share(s)”	collectively, the Placing Share(s) and the Public Offer Share(s)
“Offer Size Adjustment Option”	the option granted by our Company to the Placing Underwriters exercisable with the prior consent of our Company by the Joint Bookrunners (for themselves and on behalf of the Placing Underwriters), to require our Company to allot and issue up to an aggregate of 37,500,000 additional new Shares, representing 15% of the initial size of the Share Offer, to cover any excess demand or over-allocations, which may be made in connection with the distribution of the Placing Shares, as described in the paragraph headed “Structure and conditions of the Share Offer – Offer Size Adjustment Option” in this prospectus
“Placing”	the conditional placing by the Underwriters on behalf of our Company of the Placing Shares for cash at the Offer Price, as further described in the section headed “Structure and conditions of the Share Offer” in this prospectus
“Placing Shares”	225,000,000 new Shares to be offered by our Company for subscription at the Offer Price under the Placing, subject to reallocation and together, where relevant, with any additional Shares which may fall to be issued pursuant to the Offer Size Adjustment Option as further described in the section headed “Structure and conditions of the Share Offer” in this prospectus; and a “Placing Share” means any one of these Shares

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## DEFINITIONS

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“Placing Underwriter(s)”	the underwriter(s) that is/are expected to enter into the Placing Underwriting Agreement to underwrite the Placing Shares
“Placing Underwriting Agreement”	the underwriting agreement expected to be entered into on or around 3 November 2017 by, among others, our Company, our Controlling Shareholders, our executive Directors, the Sole Sponsor and the Placing Underwriter(s) relating to the Placing
“Price Determination Agreement”	the agreement expected to be entered into between our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) on the Price Determination Date to fix and record the Offer Price
“Price Determination Date”	the date expected to be on or around Friday, 3 November 2017 or such later date as the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company may agree, on which the Offer Price will be fixed for the purpose of the Share Offer
“Public Offer”	the issue and offer of the Public Offer Shares for subscription in Hong Kong at the Offer Price on and subject to the terms and conditions described in this prospectus and the Application Forms
“Public Offer Shares”	the 25,000,000 Shares (subject to reallocation) initially offered by our Company for subscription in the Public Offer, as described under the section headed “Structure and conditions of the Share Offer” in this prospectus
“Public Offer Underwriter(s)”	the underwriter(s) of the Public Offer, whose name(s) is/are set out in the paragraph headed “Underwriting – Public Offer Underwriters” in this prospectus
“Public Offer Underwriting Agreement”	the underwriting agreement dated 30 October 2017 entered into among our Company, our Controlling Shareholders, our executive Directors, the Sole Sponsor, the Joint Lead Managers and the Public Offer Underwriter(s) relating to the Public Offer
“Regulation”	Administrative Regulation No. 26/2012 of Macau
“Regulation S”	Regulation S under the U.S. Securities Act

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## DEFINITIONS

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“Reorganisation”	the corporate reorganisation arrangements undergone by our Group in preparation for the Listing, details of which are set out in the section headed “History, Reorganisation and corporate structure” in this prospectus
“Renminbi” or “RMB”	Renminbi, the official currency of the PRC
“Sanctioned Country(ies)”	country/ies which is/are the subject or targets of International Sanctions as adopted, administered and enforced by the United States, the EU and its member states, the United Nations and Australia, including any such country identified on the list maintained by OFAC and available at <a href="https://www.treasury.gov/resource-center/sanctions/Programs/Pages/Programs.aspx">https://www.treasury.gov/resource-center/sanctions/Programs/Pages/Programs.aspx</a> , or as otherwise published from time to time
“Sanctioned Person(s)”	certain person(s) and entity(ies) listed on OFAC’s Specially Designated Nationals and Blocked Persons List or other restricted parties’ lists, including those maintained by the United States, the EU, the United Nations or Australia
“Sega Sammy”	Sega Sammy Creation Inc. – Macau Branch, a branch registered with the Macau Commercial Registry with headquarters in Japan and a manufacturer of Electronic Gaming Equipment
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) of nominal value of HK\$0.01 each in the share capital of our Company
“Share Offer”	the Public Offer and the Placing
“Share Option(s)”	option(s) which may be granted under the Share Option Scheme
“Share Option Scheme”	the share option scheme conditionally adopted by our Company on 25 October 2017, the principal terms of which are summarised in the paragraph headed “Share Option Scheme” in Appendix IV to this prospectus

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## DEFINITIONS

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“Shareholder(s)”	holder(s) of Share(s)
“SJM”	Sociedade de Jogos de Macau, S.A., a company incorporated in Macau and one of the six Macau’s licensed gaming concessionaires
“Southwest HK Brokerage”	Southwest Securities (HK) Brokerage Limited, a corporation licensed by the SFC to conduct Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the SFO, being one of the joint bookrunners and joint lead managers of the Share Offer
“Southwest HK Capital” or “Sole Sponsor”	Southwest Securities (HK) Capital Limited, a corporation licensed by the SFC to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the sole sponsor to the Listing
“Spintec”	Spintec d.o.o., a company incorporated in Slovenia and a manufacturer of Electronic Gaming Equipment
“sq. ft.”	square feet
“sq. m.”	square meter
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supreme China”	Supreme China Securities Limited, a corporation licensed by the SFC to conduct Type 1 (dealing in securities) regulated activity under the SFO, being one of the joint bookrunners and joint lead managers of the Share Offer
“Tai Pong Fat”	Tai Pong Fat Construction and Investment Company Limited, a company incorporated in Macau and a connected person of the Company
“Takeovers Code”	the Code on Takeovers and Mergers issued by the SFC, as amended, supplemented or otherwise modified from time to time
“Track Record Period”	the period comprising the two financial years ended 31 December 2016 and the four months ended 30 April 2017
“Underwriters”	the Public Offer Underwriters and the Placing Underwriters

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## DEFINITIONS

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“Underwriting Agreements”	the Public Offer Underwriting Agreement and the Placing Agreement
“United States” or “U.S.” or “US”	the United States of America
“USD” or “US\$”	US dollars, the lawful currency of the United States
“US Securities Act”	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
“Venetian”	Venetian Macau, S.A., a company incorporated in Macau and one of the six Macau’s licensed gaming concessionaires
“WHITE Application Form(s)”	the application form(s) for use by the public who require(s) such Public Offer Shares to be issued in the applicant’s or applicants’ own name(s)
“Wynn”	Wynn Resorts (Macau) S.A., a company incorporated in Macau and one of the six Macau’s licensed gaming concessionaires
“YELLOW Application Form(s)”	the application form(s) for use by the public who require(s) such Public Offer Shares to be deposited directly into CCASS
“%”	per cent

*In this prospectus, the terms “connected person”, “core connected person”, “connected transaction”, “subsidiary”, “substantial shareholder” and “significant shareholder” shall have the meanings given to such terms in the GEM Listing Rules, unless the context otherwise requires.*

*Unless expressly stated or the context requires otherwise:*

- amounts and percentage figures, including share ownership and operating data in this prospectus, may have been subject to rounding adjustments. Accordingly, totals of rows or columns of numbers in tables may not be equal to the apparent total of the individual items;*
- solely for your convenience, this prospectus contains translations of certain US\$, Euro and MOP into HK\$ at specified rates. You should not construe these translations as representations that US\$, Euro and MOP could actually be, or have been, converted into HK\$ at the rates indicated or at all. Unless we indicate otherwise, the translations of US\$, Euro and MOP into HK\$ have been made at the rate of US\$1.00:HK\$7.80, Euro 1.00:HK\$8.15 and MOP 1.00:HK\$0.97, respectively.*

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## GLOSSARY OF TECHNICAL TERMS

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*The glossary of technical terms contains explanations and definitions of certain terms used in this prospectus in connection with our Group and our business. The terms and their meanings may not correspond to meanings or usage of these terms as used by others or standard industry definitions.*

“CAGR”	compound annual growth rate
“dealer”	a casino employee who takes and pays out wagers or otherwise oversees a gaming table
“EGM(s)”	electronic gaming machine(s), covering all electronic gaming machines excluding multi-terminal gaming machines and server based/supported gaming machines
“Electronic Gaming Equipment”	EGM(s) and/or ETG(s)
“ERP system”	enterprise resource planning system
“ETG(s)”	electronic table game(s), an ETG is composed of a central server, player interface and all interface elements that function cooperatively for the purpose of electronically simulating table game operations. There is no live dealer and the game plays without significant human interaction including the commencement of game play, for all monetary transactions including credit reception, collecting wagers, allocating winnings, and ensuring all wagers are registered correctly
“GGR”	gross gaming revenue
“live gaming”	gaming activities that require the involvement of a live dealer
“machine gaming”	gaming activities taking place on machines that are completely automatic and requiring no additional human interaction
“mass gaming”	all the gaming activities other than VIP gaming, including machine gaming and mass traditional table gaming

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## GLOSSARY OF TECHNICAL TERMS

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“table game(s)”	typical casino game(s), including card games such as baccarat, blackjack and hi-lo (also known as “Sic bo”) as well as craps and roulette
“VIP gaming”	gaming activities on gaming tables located in particular gaming rooms that pay out an annual fee of MOP300,000 per table to the Macau government

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## FORWARD-LOOKING STATEMENTS

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Our Company has included in this prospectus forward-looking statements that are not historical facts, but relate to our intentions, beliefs, expectations or predictions for future events and conditions which may not occur. These forward-looking statements are contained principally in the sections headed “Summary and highlights”, “Risk factors”, “Industry overview”, “Business”, and “Financial information” in this prospectus, which are, by their nature, subject to risks and uncertainties.

In some cases, you can identify these forward-looking statements by words such as “aim”, “anticipate”, “believe”, “continue”, “could”, “expect”, “intend”, “may”, “might”, “plan”, “potential”, “predict”, “project”, “propose”, “seek”, “should”, “will”, “would” or similar expressions or their negatives. These forward-looking statements include, without limitation, statements relating to:

- our business objectives, strategies, implementation plans and use of proceeds;
- the amount and nature of, potential for, future development of our business;
- our operation and business prospects;
- general economic trends and conditions;
- changes to regulatory and operating conditions in the industry and markets in which we operate;
- our dividend policy;
- the regulatory environment of our industry in general;
- the future development and trends in our industry;
- the actions and development of our competitors;
- risks identified in the section headed “Risk factors” in this prospectus; and
- certain statements in the section headed “Financial information” with respect to trend in prices, volumes, operations, margins, overall market trends, risk management and exchange rates.

The Directors confirm that these forward-looking statements are made after due and careful consideration.

These forward-looking statements are subject to risks, uncertainties and assumptions, some of which are beyond our control. In addition, these forward-looking statements reflect our current views with respect to future events and are not a guarantee of future performance.

Additional factors that could cause actual performance or achievements to differ materially include, without limitation, those discussed in the section headed “Risk factors” in this prospectus.

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## **FORWARD-LOOKING STATEMENTS**

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These forward-looking statements are based on current plans and estimates, and speak only as of the date they are made. Our Company undertakes no obligations to update or revise any forward-looking statement in light of new information, future events or otherwise. Forward-looking statements involve inherent risks and uncertainties and are subject to assumptions, some of which are beyond our control. Our Company cautions you that a number of important factors could cause actual outcomes to differ, or to differ materially, from those expressed in any forward-looking statement.

Due to these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to these cautionary statements.

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## RISK FACTORS

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*Prospective investors should consider carefully all the information set forth in this prospectus and, in particular, should consider the following risks and special considerations in connection with an investment in our Company before making any investment decision in relation to the Share Offer. The occurrence of any of the following risks may have a material adverse effect on our business, results of operations, financial conditions and prospects.*

*This prospectus contains certain forward-looking statements regarding our plans, objectives, expectations and intentions which involve risks and uncertainties. The trading price of the Shares could decline due to any of these risks, and you may lose all or part of your investment.*

### **RISKS RELATING TO OUR GROUP AND OUR BUSINESS**

#### **The loss of, or failure to obtain or renew the necessary regulatory approval or registrations could adversely affect our business, financial condition and results of operations**

In accordance with Macau laws and regulations, we are required to maintain our status as a gaming machine agent approved by DICJ in Macau in order to supply gaming machines, other related equipment and system to casinos in Macau and to provide ancillary services such as consulting and technical services and repair of gaming machines, leasing of gaming machines and refurbishment of used gaming machines for the purpose of reselling the same in Macau to customers whom we expect will have South East Asia as their end market. Such approval is issued by DICJ in accordance with the relevant Macau laws and regulations and is valid for a year provided that it is not suspended or revoked. We have to make renewal submission every year before the approval expires.

If we are unable to maintain our suitability to carry out our business activities or are found to be in material breach of any laws or regulations, the approval given by DICJ in respect of being a gaming machine agent in Macau could be suspended or revoked.

As the approval is subject to annual review and renewal, we cannot assure you that the approval will be renewed by DICJ every year. Please refer to the section headed “Regulatory overview” in this prospectus for further details on the requirements for maintaining the approval. If we cannot obtain and maintain the relevant approval, our business could be disrupted, interrupted or the continued operation of our business may be subject to fines and penalties. These factors may potentially materially and adversely impact our business, financial condition and results of operations.

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## RISK FACTORS

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Pursuant to the Regulation, we shall submit to DICJ a list of technical staff authorised to assemble, install, program, repair, adapt, support and maintain any approved Electronic Gaming Equipment when an application is submitted to DICJ for the approval of any Electronic Gaming Equipment. DICJ will issue an identification card which the technical staff is required to use at all times when carrying out any of the abovementioned technical activities in gaming areas of casinos. DICJ has the discretion to refuse to issue the identification card to our technical staff upon review of the background of our technical staff. In addition, DICJ may request us to remove any of our technical staff from our list of authorised technical staff if it considers that such technical staff is no longer fit and proper to carry out the technical activities. We cannot assure you that they will be able to continue to hold their respective identification cards or that DICJ will issue identification card to any of the technical staff hired by us in the future. If any of our technical staff is not able to obtain an identification card from DICJ or continue to hold its identification card issued by DICJ, our business could be disrupted or interrupted as our ability to provide technical services will be affected, which may in turn potentially materially and adversely impact our business, financial condition and results of operations.

### **We rely on a few major suppliers for the supply of Electronic Gaming Equipment**

We are currently relying on a few major suppliers for the supply of Electronic Gaming Equipment. For the two years ended 31 December 2016 and the four months ended 30 April 2017, our five largest suppliers accounted for approximately 98.5%, 96.8% and 100%, respectively of our total purchases, while the largest suppliers for the two years ended 31 December 2016 and the four months ended 30 April 2017, being Alphabet and Spintec, accounted for approximately 48.7%, 49.1% and 73.5%, respectively of our total purchases for the respective periods.

*Stable supply of Electronic Gaming Equipment from our suppliers may not be guaranteed*

We cannot assure you that our suppliers will renew our distribution agreements and continue to supply Electronic Gaming Equipment to us in the future, or if they do, they will continue to supply us in such quantities that we request, and on such pricing and terms which are satisfactory to us. In the event that our suppliers do not renew their distribution agreements with us or continue to supply Electronic Gaming Equipment to us, we cannot assure you that we can successfully put in place any alternative arrangements within a short period of time.

In addition, some of our exclusive distribution agreements stipulate sales targets which we shall meet during their respective terms. The sales targets under those exclusive distribution agreements are either on a best endeavour basis; and/or subject to conditions which the relevant supplier has to satisfy before our obligation to meet the sales targets apply. If we fail to fulfil our obligations under those agreements, our suppliers may give written notice to terminate the relevant agreements. In such circumstances, we may lose a key product brand that we distribute and our business, financial condition and results of operations may be materially and adversely affected.

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## RISK FACTORS

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*Our business is dependent on the demand for the products of our major suppliers*

The brand awareness, quality and market acceptance of the products of our major suppliers are crucial to our business performance. If our major suppliers are unable to maintain quality standards or unable to keep abreast of the development of the gaming market, the demand for their products may experience a slowdown. In the event that we are unable to identify alternative suppliers in a timely manner, our business, financial condition and results of operations may be materially and adversely affected.

### **Suppliers may enter the market and sell Electronic Gaming Equipment by direct sales**

We are a gaming machine agent approved by DICJ in Macau. A significant proportion of our revenue is generated by technical sales and distribution of Electronic Gaming Equipment.

Instead of relying on a gaming machine agent to supply their products to casino operators in Macau, some manufacturers of Electronic Gaming Equipment choose to supply Electronic Gaming Equipment to casino operators in Macau by direct sales. If any of our existing suppliers decides to supply Electronic Gaming Equipment to casino operators in Macau directly without engaging us, our business, financial condition and results of operations could be materially and adversely affected.

In addition, other manufacturers of Electronic Gaming Equipment which wish to enter the Macau market in the future may choose to make direct sales to casino operators in Macau by obtaining the relevant approval from DICJ. We will then face increased competition and our business, financial condition and results of operations may be materially and adversely affected. For further details on our cooperation with suppliers under our distributorship business model, please refer to the paragraph headed “Business – Market and competition” in this prospectus.

### **Our suppliers not on DICJ’s approved list may not cooperate with us to resolve issues relating to Electronic Gaming Equipment**

Manufacturers of Electronic Gaming Equipment are not required to obtain approval from DICJ to manufacture and supply Electronic Gaming Equipment in Macau if they supply through a gaming machine agent approved by DICJ. During the Track Record Period, some of our suppliers of Electronic Gaming Equipment are not on DICJ’s list of approved gaming machine suppliers. Under such circumstances, we, being the authorised gaming machine agent, will be responsible for answering directly to DICJ any issues with respect to Electronic Gaming Equipment manufactured by those suppliers. There is no assurance that those suppliers will cooperate with us to resolve the issues raised by DICJ. Failing to address any issues raised by DICJ may result in the revocation of our licence to distribute the affected Electronic Gaming Equipment and possibly also in the revocation of our gaming machine agent licence, which could materially and adversely affect our business, financial condition and results of operations.

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## **RISK FACTORS**

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### **Our business performance may be affected by our ability to forecast market trend and preference of casino operators and players**

Our business performance and profitability are affected by our ability to source products favoured by casino operators and players. The market acceptance and desirability of different Electronic Gaming Equipment may be difficult to predict and may change according to market conditions in the gaming industry.

If we are unable to continue to forecast the market trend accurately in the future or respond promptly to change in preference of casino operators and players, our profitability and sales volume growth, financial condition and results of operations may be materially and adversely affected.

### **If we lose the services of our key management personnel, our business, financial condition and results of operations could be materially and adversely affected**

Our ability to maintain our competitive position is dependent to a large extent on the efforts, skills and continued service of our management and other key personnel of our Group, who have been instrumental to our growth and success. Each of our executive Directors has over 10 years of experience and in-depth knowledge in the gaming industry. Our other key management personnel have also been fundamental in the execution of our corporate strategies. Furthermore, our executive Directors and senior management have established and maintained good relationships with our customers and suppliers. The loss of any of them could have a material and adverse effect on our business, financial condition and results of operations if we are not able to identify suitable replacements in a timely manner.

### **Changes in our relationships with our major customers, or in the trade terms with these customers, may reduce our revenue**

For the two years ended 31 December 2016 and the four months ended 30 April 2017, our five largest customers accounted for approximately 92.0%, 88.2% and 85.6%, respectively of our total revenue, while the largest customer accounted for approximately 63.2%, 24.1% and 44.5%, respectively of our total revenue for the respective periods. We do not have long-term agreements with most of these major customers. Therefore, we cannot assure you that these major customers will continue to turn to us for our services. If our customers significantly reduce their purchase from our Group or make adverse change to trade terms or if we lose one or more of our top five customers, our business could suffer significant setbacks and our financial condition and results of operation could be materially and adversely affected.

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## RISK FACTORS

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**We could be adversely affected if our operations resulted in sales or provision of services to certain countries that are or become subject to economic sanctions of the U.S., the E.U., the U.N. and other relevant sanctioned authorities**

During the Track Record Period, we generated a small portion of our total revenue from the provision of technical services to two customers located in Serbia, which is a Sanctioned Country. The technical services provided by us include installation, maintenance, repair and providing assistance with transportation of Electronic Gaming Equipment manufactured by such customers. For the two years ended 31 December 2016 and the four months ended 30 April 2017, we derived approximately 0.7%, 0.4% and nil respectively of our total revenue from such customers.

Our Directors have undertaken with the Stock Exchange that (i) we will not enter into prohibited activities under the relevant sanctions laws and regulations that would expose our Group, or any person or entity, including our Group's investors, our Shareholders, the Stock Exchange, HKSCC or HKSCC nominees (collectively, the "Relevant Persons") to risk of being sanctioned; (ii) we will not apply, directly or indirectly, the proceeds from the Share Offer or any other funds raised through the Stock Exchange to finance or facilitate any projects or businesses with sanctioned entities and entities in countries where country-wide sanctions have been imposed; and (iii) we will make timely disclosure on the Stock Exchange's website and our own website if we believe our business would put Relevant Persons or ourselves at risk of being sanctioned and in our annual reports or interim reports our efforts on monitoring our business exposure to sanctions risks and our business intention relating to the Sanctioned Countries. If we breach any of these undertakings to the Stock Exchange after the Listing, it is possible that the Stock Exchange may delist our Shares. For further details, please refer to the paragraph headed "Business – Business activities involving customers located in Sanctioned Countries, specifically Serbia" in this prospectus.

In addition, certain institutional investors, universities or government entities have restrictions on the investment of public funds or endowment funds, respectively, in companies that are members of corporate groups with activities in certain Sanctioned Countries and with Sanctioned Persons. As a result, concern about potential legal or reputational risk associated with provision of services in Serbia could also reduce the marketability of the Offer Shares to particular investors, which could affect the price of our Offer Shares and Shareholders' interests in us, despite our commitment not to direct the proceeds from the Share Offer to dealings with sanctioned parties. Before investing in our Shares, you should consider if such investment would expose you to any of the U.S., the EU, the United Nations and Australian or other sanctions law risks arising from your nationality or residency. Any of these events could have an adverse effect on the value of your investment in us.

**We may be subject to claims associated with product liabilities or infringement of intellectual property rights**

Our success depends partly on the quality of Electronic Gaming Equipment. As we do not control the manufacturing process of the Electronic Gaming Equipment, we cannot guarantee the quality of the products provided by our suppliers. Furthermore, we cannot assure you that

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## RISK FACTORS

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each of our suppliers has the necessary intellectual property rights for each of its products, or that its intellectual property rights in the products will be adequately protected and that such intellectual property rights will not be challenged by third parties or found to be invalid or unenforceable.

If any products that we sell or distribute have defects or problems relating to safety, performance or intellectual property rights, we may be subject to disputes, claims or legal proceedings. We may also be compelled to discontinue the sale of offending products and/or pay damages or other fines in the event that the products we sell infringe intellectual property rights. Responding to disputes, claims and legal proceedings brought against us can be expensive and time-consuming and could divert our management's attention and resources and disrupt our normal business operations. In addition, unfavourable outcomes from these disputes, claims or legal proceedings could materially affect our reputation and our business, financial condition and results of operations could be materially and adversely affected.

### **We may be subject to credit risk resulting from our suppliers' failure to refund to us trial deposits**

During the Track Record Period, we 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 our exclusive distribution agreement with Spintec, we are required to pay 50% of the total purchase price as deposit for products subject to trial. Such deposit is refundable if the products do not pass trial.

As part of our strategies, we intend to request manufacturers to provide more trial products by paying them upfront deposits. Please refer to the paragraph headed "Business – Our strategies" in this prospectus for further details. As with our arrangements with Spintec during the Track Record Period, it is intended that such deposits to be paid to other manufacturers will be refundable if the trial products do not meet the agreed turnover performance. However, in the event that the manufacturers fail to refund the relevant deposits, we could be exposed to credit risk which could have a material and adverse impact on the working capital and financial position of our Group.

### **We may be unable to implement our future plans successfully**

Our future business growth primarily depends on the successful implementation of our strategies and future plans as set out in the section headed "Statement of business objectives and use of proceeds" in this prospectus. As part of our strategies, we plan to expand our business to (1) leasing Electronic Gaming Equipment to casino operators in Macau; and (2) refurbishing used Electronic Gaming Equipment for resale in Macau to customers whom we expect will have South East Asia as their end market. Please refer to the paragraph headed "Business – Our strategies" in this prospectus for further details. As we have in the past focused on direct sales in the Macau market, our sales and marketing personnel might not possess the relevant experience in developing leasing of Electronic Gaming Equipment in Macau or resale of refurbished Electronic Gaming Equipment for use in overseas market. We

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## RISK FACTORS

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may not be able to achieve the anticipated growth and expansion of our business due to factors which are beyond our control, such as changes in market demands, government policies, licensing, registration and approval requirements and relevant laws and regulations.

As such, there is no assurance that our future plans will materialise, or be completed by the predetermined time frame, or that our objectives will be fully or partially achieved. Our business, profitability and financial conditions in the future may be materially and adversely affected. Furthermore, based on the best estimation by the Directors, it is expected that the revenue from the leasing of Electronic Gaming Equipment and the resale of refurbished Electronic Gaming Equipment will contribute approximately 0.2% and 10.8% respectively of our total revenue for the years ending 31 December 2017 and 31 December 2018 respectively. Given that these new businesses were being developed after the Track Record Period, the financial results during the Track Record Period may not fully reflect our Group's future performance.

### **Our past revenue and profitability track record is by no means indicative of our future performance**

Continued sales and profit growth depend on a variety of factors, including, among others, (i) the economy of Macau and South East Asia; (ii) our ability to maintain business relationships with our major suppliers and customers; (iii) our ability to recruit and retain sales and technical staff; and (iv) the level of market competition. There is no assurance that our past revenue and profitability track record is indicative of our future performance.

### **We are subject to credit risk in respect of our trade receivables from customers**

As at 31 December 2015 and 2016 and 30 April 2017, we recorded trade receivables of approximately HK\$2.6 million, HK\$7.5 million and HK\$3.7 million respectively, of which approximately HK\$1.5 million, HK\$4.4 million and HK\$3.3 million, respectively, have been past due but not impaired. Please refer to the paragraph headed "Financial information – Description of selected items of consolidated statements of financial position – Trade receivables" for details. During the Track Record Period, we conducted our sales mainly by credit sales. We generally grant an average period of 30 days from the month end of date of invoice for our major customers. Due dates are determined based on the agreed payment dates as stipulated in the relevant purchase order or consultancy agreement. There is no assurance that our customers will settle our invoice in full and on time. If the financial position of any of our customers deteriorates, the risk of default on their payments to our Group will increase. Any difficulty in collecting a substantial portion of our trade receivables could materially and adversely affect our profitability, working capital and cash flow.

### **Net cash outflow from operating activities for the four months ended 30 April 2016**

We recorded net cash outflow from operating activities of approximately HK\$1.9 million for the four months ended 30 April 2016. Please refer to the paragraph headed "Financial information – Liquidity and capital resources – Cash flow – Operating activities" in this

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## **RISK FACTORS**

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prospectus for details. We cannot assure that we will not experience periods of net cash outflow from operating activities in the future. If we record net operating cash outflows in the future, our working capital can be constrained which may materially and adversely affect our business, financial condition, results of operation and growth prospects.

### **Our insurance coverage may be insufficient to protect us against potential liabilities arising in the course of operations**

We have not maintained insurance policies against losses arising from installing Electronic Gaming Equipment not in compliance with DICJ requirements. Our business, financial position and results of operations could be materially and adversely affected if an incident occurs in relation to which we have inadequate insurance coverage.

In addition, although we have purchased employees' compensation and public liability insurance to cover claims in connection with personal injuries of our employees in Macau in the course of employment with us and loss of or damage to property in connection with installation and maintenance of Electronic Gaming Equipment at casinos of the six licensed gaming concessionaires in Macau, we may become subject to liabilities against which we are not insured adequately or at all or liabilities against which cannot be insured. Should any significant property damage or personal injury occur due to accidents, natural disasters, or similar events which are not covered or inadequately covered by our insurance, our business may be adversely affected, potentially leading to a loss of assets, lawsuits, employee compensation obligations, or other form of economic loss.

### **RISKS RELATING TO OUR INDUSTRY IN MACAU**

#### **Changes in regulatory requirements in the industry which we operate may have material adverse effect on our business and results of operation**

The gaming industry is a highly regulated industry in Macau. Our operations are contingent upon our compliance with the relevant regulatory requirements and the obtaining of relevant approvals and registrations pursuant to Macau law. Currently, the Macau Government has set a cap on the number of gaming tables operating in Macau. Such limit on the number of gaming tables or other regulations in respect of the granting and/or renewal of approval from DICJ, or otherwise related to approved gaming machine agents in Macau, may change from time to time or become more stringent. The Macau Government published the Policy Address for the Fiscal Year 2017 on 15 November 2016 which mentioned as one of the items on the agenda, that the Macau Government intends to carry out proposed amendment of laws and regulations relating to electronic gaming equipment. However, no detail on any proposed amendment on the regulations for Electronic Gaming Equipment has been given in the policy address or in any other announcement made by the Macau Government as of the Latest Practicable Date. If there are any changes to the existing regulatory requirements, rules, guidelines or policies issued or adopted by the Macau Government, we may be required to respond to such changes and we may need to change our business or operational practices and/or make changes on our products or services. In addition, such changes may increase our costs and burden in regulatory compliance, and failure to adapt to any changes could materially and adversely affect our business operations.

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## **RISK FACTORS**

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Furthermore, there are a limited number of suppliers of Electronic Gaming Equipment and casino operators in Macau and they are also subject to the relevant regulatory and licensing requirements in accordance with Macau laws and regulations. Any negative impact on our suppliers or casino operators due to changes in the regulatory requirements could materially and adversely affect our business operations.

### **Economic downturns and reduction in number of visitors to Macau may impact the gaming industry**

The demand for Electronic Gaming Equipment or our technical services from casino operators in Macau is closely related to the prospects of the gaming industry, which in turn depends on the number of visitors visiting Macau and their spending on gaming.

A slowdown in economic growth and tightening of credit available or restrictions on travel imposed by the PRC government could adversely impact on the number of visitors from China to Macau, as well as the amounts they are willing to spend when they visit casinos in Macau. Such decrease in number of visitors and their spending may negatively affect the mass market of the gaming industry, leading to a decrease in the demand for Electronic Gaming Equipment and/or services by casinos in Macau. This may in turn have an adverse effect on our business, financial condition and results of operations.

### **A limited labour supply of experienced and qualified technicians**

Our ability to maintain our competitive position depends on the efforts, skills and continued service of our experienced and qualified technicians. The loss of such technicians may have a material adverse effect on our business.

Macau has a relatively limited labour market for the supply of licenced technicians and skilled employees to provide technical services in respect of the installation, repair and maintenance of Electronic Gaming Equipment. Our ability to recruit employees from other countries is restricted by labour quota restrictions imposed by the Macau government. Under Macau laws, employers may be held criminally liable if they knowingly hire illegal workers. Please refer to the paragraph headed “Regulatory overview – Labour regulations – Labour quotas” in this prospectus.

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## **RISK FACTORS**

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Given the limited pool of experienced and qualified technicians currently available in Macau as well as the large and growing number and scale of casino-related and non-casino businesses currently operating in Macau, we face and will continue to face significant competition in the recruitment and retention of appropriately qualified employees. There can be no assurance that we will be able to continue to recruit or retain experienced and qualified technicians for our existing businesses and the refurbishment business that we intend to carry out. We may be required to raise the salaries of current employees or to pay higher wages to attract new employees, which could cause our labour costs to increase. If we are unable to attract and retain a sufficient number of qualified employees, or if we encounter a significant increase in labour costs due to salary increases or for any other reason, our business, financial condition and results of operations could be materially and adversely affected.

### **RISKS RELATING TO DOING BUSINESS IN MACAU**

#### **Conducting business in Macau involves certain economic and political risks**

A large proportion of our operations and services are based in Macau. Conducting business in Macau involves certain risks not typically associated with investments in companies with operations and services outside of Macau. Our operations and services are associated with economic and political risks related to:

- changes in Macau's and China's political, economic and social conditions;
- changes in Macau governmental policies or changes in Macau laws or regulations, or in the interpretation or enforcement of these laws and regulations, particularly exchange control regulations and repatriation of capital;
- measures that may be introduced to control inflation, such as interest rate increases or bank account withdrawal controls;
- changes in the rates or method of taxation; and
- tightening of travel restrictions to Macau which may be imposed by China.

In addition, our operations and services in Macau are exposed to the risk of changes in laws and policies that govern operations of Macau-based companies. Tax laws and regulations and tax exemptions and benefits may also be subject to amendment or different interpretation and implementation, thereby affecting our profitability after tax.

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## **RISK FACTORS**

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### **Unforeseeable business interruptions, such as fires, floods, typhoons or other natural disasters may materially and adversely affect our business operations**

Due to its geographical location, Macau may be subject to extreme weather conditions including typhoons and heavy rainstorms. Unfavourable weather conditions or other natural disasters could disrupt transportation to Macau and prevent tourists from travelling to Macau. Natural disasters such as fires, floods, typhoons, power failures and power shortages and other events beyond our control may also lead to evacuations and other disruptions to the operations of our Group and our customers, which could have a material adverse effect on our business and financial results.

### **An outbreak of epidemics and terrorism could reduce the number of visitors to Macau which may adversely affect our business and results of operations**

Outbreak of epidemics such as severe acute respiratory syndrome (SARS), swine flu and avian flu (H7N9) in Macau which is beyond our control may result in decrease in the number of visitors to Macau, impacting on the gaming industry and the desire of casino operators in Macau to purchase Electronic Gaming Equipment from us. Terrorist attacks, security alerts, military conflicts or fears of wars, whether in Macau or elsewhere, could have a negative impact on travel and leisure expenditures, including gaming and tourism and cause disruption to our supply channels. If any such incident occurs, our business, financial condition and results of operations may be materially and adversely affected.

## **RISKS RELATING TO THE SHARE OFFER**

### **There has been no prior public market for our Shares, and the liquidity, market price and trading volume of our Shares may be volatile**

Prior to the Share Offer, there was no public market for our Shares. The indicative range of the Offer Price was determined as a result of negotiations between us and the Joint Bookrunners (for themselves and on behalf of the Underwriters). The Offer Price may differ significantly from the market price for the Shares after the Listing.

We have applied for the listing of and permission to deal in our Shares on GEM. However, even if approved, being listed on GEM does not guarantee that an active trading market for our Shares will develop following the Share Offer or that our Shares will always be listed and traded on GEM. There is no assurance that the Listing will result in the development of an active and liquid public trading market for the Shares or that the market price of our Shares will not decline below the Offer Price.

The price and trading volume of our Shares may be highly volatile. The market price of the Shares may fluctuate significantly and rapidly as a result of the following factors, among other things, some of which are beyond our control:

- variations in our revenue, earnings and cash flows

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## RISK FACTORS

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- announcements of new investments, strategic alliances or acquisitions
- fluctuations in market prices of our products and services
- changes in securities analysts' analysis of our financial performance
- concentration of shareholding in the hands of a small number of investors
- addition or departure of our key personnel
- our involvement in litigation
- general economic and stock market conditions in Macau and across the globe

Any of the above factors may result in large and sudden changes in the volume and price at which our Shares will trade.

Stock markets and the shares of some listed companies in Hong Kong have experienced price and volume fluctuations in recent years, some of which may have been unrelated or disproportionate to the operating performance of such companies.

### **Investors for our Shares may experience dilution if we issue additional Shares in the future to raise funding**

We may need to raise additional funds in future to finance expansion of or new developments relating to our existing operations or new acquisitions. If additional funds are raised through the issuance of new equity or equity-linked securities of our Company other than on a pro-rata basis to the existing Shareholders, the percentage ownership of the existing Shareholders in our Company may be reduced or such new securities may confer rights and privileges that take priority over those conferred by the Shares under the Share Offer.

Also, if we fail to utilise the additional funds to generate the expected earnings, this could adversely affect our financial results and in turn exerts pressure to the market price of the Shares. Even if additional funds are raised by means of debt financing, any additional debt financing may, apart from increasing interest expense and gearing, contain restrictive covenants with respect to dividends, future fund raising exercises and other financial and operational matters.

### **There may be dilution because of the issuance of Shares pursuant to the options which may be granted under the Share Option Scheme**

We may grant share options to eligible participants under the Share Option Scheme, who may be employees, senior management and Directors. The exercise of share options under the Share Option Scheme will result in an increase in the number of Shares, and may result in a dilution to the percentage of ownership of the shareholders of our Company, the earnings per Share and net asset value per Share depending on the exercise price. Further details of the Share Option Scheme are summarised in the paragraph headed "Share Option Scheme" in Appendix IV to this prospectus.

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## RISK FACTORS

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### **There can be no assurance that we will declare or distribute any dividend in the future**

For the two years ended 31 December 2016, our Group declared dividends of approximately HK\$7.0 million and HK\$12.5 million respectively. Subsequent to 31 December 2016, we declared dividend of approximately HK\$6.5 million in March 2017. However, our Group's historical dividend distribution should not be used as a reference or basis to determine the level of dividends that may be declared and paid by our Group in the future. The decision to pay dividends will be considered in light of the factors such as the results of operations, financial conditions and other factors deemed relevant. Any distributable profits that are not distributed in any given year may be retained and available for distribution in subsequent years. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in our operations. There can be no assurance that we will be able to declare or distribute any dividend. Our future declarations of dividends will be at the absolute discretion of our Board.

### **Sale of the Shares or major divestment of the Shares by our Controlling Shareholders or substantial shareholders of our Company could adversely affect the Share price**

The sale of a significant number of Shares by our Controlling Shareholders or substantial shareholders in the public market after the Listing, or the perception that such sale may occur, could adversely affect the market price of the Shares. Except as otherwise described in the section headed "Underwriting" in this prospectus and the restrictions set out by the GEM Listing Rules, there is no restriction imposed on our Controlling Shareholders or substantial shareholders of our Company to dispose of their shareholdings. Any major disposal of Shares by any of our Controlling Shareholders or substantial shareholders of our Company may cause the market price of the Shares to fall. In addition, these disposals may make it more difficult for our Group to issue new Shares in the future at a time and price that our Directors deem appropriate, thereby limiting our ability to raise capital.

### **Forward-looking statements contained in this prospectus are subject to risks and uncertainties**

This prospectus contains certain statements that are "forward-looking" and indicated by the use of forward-looking terminology such as "believe", "intend", "anticipate", "estimate", "plan", "potential", "will", "would", "may", "should", "expect", "seek" or similar terms. Prospective investors are cautioned that reliance on any forward-looking statement involves risk and uncertainties and that any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. The risks and uncertainties in this regard consist of those identified in the risk factors discussed above. In light of these and other risks and uncertainties, the enclosure of forward-looking statements in this prospectus should not be regarded as representations by our Company that the plans and objectives will be achieved, and investors should not place undue reliance on such statements.

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## RISK FACTORS

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### **Investors should not rely on any information contained in press articles or other media regarding our Group or the Share Offer**

There may be press and media coverage regarding our Group or the Share Offer, which may include certain financial information, financial projections, valuations and other information about our Group that do not appear in this prospectus. We have not authorised the disclosure of any such information in the press or media and do not accept responsibility for any such press or media coverage or the accuracy or completeness of any such information. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication.

To the extent that such statements are inconsistent with, or conflict with, the information contained in this prospectus, we disclaim responsibility for them. Accordingly, prospective investors should not rely on any such information and should rely only on information included in this prospectus in making any decision as to whether to invest in our Shares.

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER**

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### **DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS**

This prospectus, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (WUMP) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the GEM Listing Rules for the purpose of giving information with regard to our Company. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, (i) the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive; (ii) there are no other matters the omission of which would make any statement herein or this prospectus misleading; and (iii) all opinions expressed in this prospectus have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

### **INFORMATION ON THE SHARE OFFER**

The Offer Shares are offered solely on the basis of the information contained and the representations made in this prospectus. So far as the Share Offer is concerned, no person is authorised to give any information or to make any representation not contained in this prospectus, and any information or representation not contained herein shall not be relied upon as having been authorised by our Company, the Sole Sponsor, the Joint Bookrunners, the Underwriters, any of their respective directors (where applicable) or any other parties involved in the Share Offer.

### **OFFER SHARES ARE FULLY UNDERWRITTEN**

This prospectus is published in connection with the Share Offer for which Southwest HK Capital is the sole sponsor. The Public Offer Shares are fully underwritten by the Public Offer Underwriters pursuant to the Public Offer Underwriting Agreement and is subject to the agreement to the Offer Price between our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters). The Placing will be fully underwritten by the Placing Underwriters under the terms of the Placing Underwriting Agreement. For further information about the Underwriters and underwriting arrangements, please refer to the section headed "Underwriting" in this prospectus.

### **RESTRICTIONS ON SUBSCRIPTION OF THE OFFER SHARES**

Each person acquiring the Offer Shares will be required to confirm or by his/her/its acquisition of the Offer Shares will be deemed to confirm that he/she/it is aware of the restrictions on the offer of the Offer Shares described in this prospectus. Save as mentioned above, no action has been taken in any jurisdiction other than Hong Kong to permit an offering of the Offer Shares or the general distribution of this prospectus. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in relation to the Share Offer in any jurisdiction or, in any circumstance in which such an offer or invitation is not authorised, or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offer of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under any applicable laws, rules and regulations of such jurisdictions pursuant to registration with or authorisation by the relevant regulatory authorities as an exemption therefrom.

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER**

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Prospective investors for the Offer Shares should consult their financial advisers and take legal advice as appropriate, to inform themselves of, and to observe the applicable laws, rules and regulations of any relevant jurisdictions.

The Offer Shares are offered for subscription solely on the basis of the information contained and the representations made in this prospectus. No person is authorised in connection with the Share Offer to give any information, or to make any representation, not contained in this prospectus. Any information or representation not contained herein shall not be relied upon as having been authorised by our Company, the Sole Sponsor, the Joint Bookrunners, the Underwriters, any of their respective directors, officers, employees, agents, representatives or any other person or party involved in the Share Offer.

### **APPLICATION FOR LISTING ON GEM**

Our Company has applied to the Listing Division for the listing of, and permission to deal in, the Shares in issue and which are to be issued or may be issued pursuant to the Capitalisation Issue and the Share Offer (including Shares which may be issued pursuant to the Offer Size Adjustment Option) and as otherwise described herein on GEM.

No part of the share or loan capital of our Company is listed, traded or dealt in on any stock exchange and save as disclosed in the paragraph above, no such listing or permission to deal is being or proposed to be sought.

Under section 44B(1) of the Companies (WUMP) Ordinance, if the permission for the Shares offered under this prospectus to be listed on GEM has been refused before the expiration of three weeks from the date of the closing of the Share Offer or such longer period not exceeding six weeks as may, within the said three weeks, be notified to our Company for permission by or on behalf of the Listing Division, then any allotment made on an application in pursuance of this prospectus shall, whenever made, be void.

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at the time of listing and at all times thereafter, our Company must maintain the minimum prescribed percentage of at least 25% of the issued share capital of our Company in the hands of the public (as defined in the GEM Listing Rules). A total of 250,000,000 Offer Shares, representing 25% of the enlarged issued share capital of our Company immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be issued pursuant to the Offer Size Adjustment Option and any Shares which may be issued upon the exercise of any option which may be granted under the Share Option Scheme) will be made available under the Share Offer.

Only securities registered on the branch register of members of our Company kept in Hong Kong may be traded on GEM unless the Stock Exchange otherwise agrees.

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER**

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### **PROFESSIONAL TAX ADVICE RECOMMEND**

Potential applicants for the Offer Shares are recommended to consult with their professional advisers if they are in doubt as to the taxation implications of the subscription for, holding, purchase, disposal of or dealing in the Shares or exercising their rights thereunder. It is emphasised that none of our Company, our Directors, the Sole Sponsor, the Joint Bookrunners, the Underwriters, their respective directors or any other person involved in the Share Offer accepts responsibility for any tax effects on, or liabilities of, holders of Shares resulting from the subscription for, holding, purchase, disposal of or dealing in the Shares or the exercise of their rights thereunder.

### **HONG KONG REGISTER OF MEMBERS AND STAMP DUTY**

Our Company's principal register of members will be maintained by our principal share registrar, Estera Trust (Cayman) Limited, in the Cayman Islands and our Company's Hong Kong branch register of members will be maintained by our Hong Kong branch share registrar, Boardroom Share Registrars (HK) Limited, in Hong Kong.

The Shares are freely transferable. Only securities registered on the branch register of members of our Company kept in Hong Kong may be traded on GEM unless the Stock Exchange otherwise agrees.

All the Offer Shares will be registered on the branch register of members of our Company in Hong Kong. Dealings in the Shares registered on our Company's branch register of members maintained in Hong Kong will be subject to Hong Kong stamp duty.

Unless determined otherwise by our Company, dividends payable in Hong Kong dollars in respect of our Shares will be paid to the Shareholders listed on our Company's Hong Kong branch register of members to be maintained in Hong Kong, by ordinary post, at the Shareholders' risk, to the registered address of each Shareholder or if joint Shareholders, to the first-named therein in accordance with the Articles of Association.

### **STRUCTURE AND CONDITIONS OF THE SHARE OFFER**

Details of the structure and conditions of the Share Offer are set out in the section headed "Structure and conditions of the Share Offer" in this prospectus.

### **SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS**

Subject to the approval of the listing of, and permission to deal in, our Shares in issue and to be issued as mentioned in this prospectus on GEM and the compliance with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or on any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER**

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All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for the Shares to be admitted into CCASS. If you are unsure about the details of CCASS settlement arrangement and how such arrangements will affect your rights and interests, you should seek the advice of your stockbroker or other professional advisers.

### **COMMENCEMENT OF DEALING IN THE SHARES**

Dealings in our Shares on GEM are expected to commence at 9:00 a.m. (Hong Kong time) on or about Wednesday, 15 November 2017. Our Shares will be traded in board lots of 10,000 Shares each. The stock code for the Shares is 8400. Our Company will not issue any temporary document of title.

### **CURRENCY TRANSLATIONS**

Unless otherwise specified, translations of US\$, Euro and MOP into HK\$ in this prospectus are based on the exchange rates set out below (for the purpose of illustration only):

US\$1.00 : HK\$7.80

Euro 1.00 : HK\$8.1

MOP 1.00 : HK\$0.97

No representation is made that any amounts in US\$, Euro and MOP and HK\$ can be or could have been converted at the relevant dates at the above exchange rate or any other rates.

### **LANGUAGE**

If there is any inconsistency between the English version of this prospectus and the Chinese translation of this prospectus, the English version of this prospectus shall prevail.

### **ROUNDING**

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, totals of rows or columns of numbers in tables may not be equal to the apparent total of individual items. Where information is presented in thousands or millions of units, amount may have been rounded up or down. Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

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## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

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### DIRECTORS

Name	Address	Nationality
<b>Executive Directors</b>		
Mr. Huie, Allen Tat Yan (許達仁)	Flat C, 2/F Parisian 8 Stanley Mound Road Stanley Hong Kong	Chinese
Mr. Ng, Man Ho Herman (吳民豪)	Avenida Amizade No. 876 Pek Tou Garden 13-Andar-J Macau	Chinese
<b>Independent non-executive Directors</b>		
Mr. Choi, Kwok Wai (蔡國偉)	Flat H, 42/F Tower 2 Central Park No.18 Hoi Ting Road Kowloon, Hong Kong	Chinese
Mr. Ma, Chi Seng (馬志成)	15B, Jardins Do Oceano R. Seis dos Jardins do Oceano Macau	Chinese
Mr. Ho, Kevin King Lun (何敬麟)	Unit C, 10/F Lot W, Ocean Gardens No. 83 Rua Seis dos Jardins do Oceano Taipa Macau	Chinese

For more information on our Directors and members of senior management, please refer to the section headed “Directors and senior management” in this prospectus.

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## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

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### PARTIES INVOLVED IN THE SHARE OFFER

#### Sole Sponsor

**Southwest Securities (HK) Capital Limited**  
40/F., Lee Garden One  
33 Hysan Avenue  
Causeway Bay  
Hong Kong

#### Joint Bookrunners and Joint Lead Managers

**Southwest Securities (HK) Brokerage Limited**  
40/F., Lee Garden One  
33 Hysan Avenue  
Causeway Bay  
Hong Kong

**Supreme China Securities Limited**  
Suite 2701-02, 27/F., Everbright Centre  
108 Gloucester Road  
Wanchai  
Hong Kong

#### Legal Advisers to our Company

*As to Hong Kong law*  
**Nixon Peabody CWL**  
**in Association with JunZeJun Law Offices**  
5th Floor, Standard Chartered Bank Building  
4-4A Des Voeux Road Central  
Hong Kong

*As to Cayman Islands law*  
**Appleby**  
2206-19 Jardine House  
1 Connaught Place  
Central  
Hong Kong

*As to Macau law*  
**Jorge Neto Valente – Lawyers & Notaries**  
15th Floor, ICBC Tower  
Macau Landmark Building  
555 Avenida da Amizade Macau

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## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

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*As to International Sanctions law relating to Serbia*

**Nixon Peabody LLP**  
799 9th Street NW  
Suite 500  
Washington, DC 20001-4501

**Legal Advisers to the Sole Sponsor  
and the Underwriters**

*As to Hong Kong law*

**Deacons**  
5th Floor, Alexandra House  
18 Chater Road  
Central  
Hong Kong

**Auditors and Reporting Accountants**

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
35th Floor, One Pacific Place  
88 Queensway  
Hong Kong

**Industry Consultant**

**China Insights Consultancy Limited**  
10/F Tomorrow Square  
399 West Nanjing Road  
Huangpu District  
Shanghai  
People's Republic of China

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## CORPORATE INFORMATION

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<b>Registered office</b>	PO Box 1350 Clifton House 75 Fort Street Grand Cayman KY1-1108 Cayman Islands
<b>Headquarters and principal place of business in Macau</b>	Avenida da Amizade No. 1023 Edificio Nam Fong, 1-(AA) Macau
<b>Principal place of business in Hong Kong (registered under Part 16 of the Companies Ordinance)</b>	31/F, 148 Electric Road North Point Hong Kong
<b>Compliance officer</b>	Mr. Huie Allen Tat Yan (許達仁) Flat C, 2/F, Parisian 8 Stanley Mound Road Stanley Hong Kong
<b>Company secretary</b>	Mr. Kwok Siu Man (郭兆文) ( <i>FCIS, FFA, FIPA, FICS, FHKA, FHKIoD</i> ) 31/F, 148 Electric Road North Point Hong Kong
<b>Authorised representatives</b>	Mr. Huie Allen Tat Yan (許達仁) Flat C, 2/F, Parisian 8 Stanley Mound Road Stanley Hong Kong  Mr. Kwok Siu Man (郭兆文) 31/F, 148 Electric Road North Point Hong Kong
<b>Audit Committee</b>	Mr. Choi Kwok Wai (蔡國偉) ( <i>Chairman</i> ) Mr. Ma Chi Seng (馬志成) Mr. Ho Kevin King Lun (何敬麟)
<b>Remuneration Committee</b>	Mr. Ho Kevin King Lun (何敬麟) ( <i>Chairman</i> ) Mr. Ma Chi Seng (馬志成) Mr. Huie Allen Tat Yan (許達仁)

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## CORPORATE INFORMATION

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<b>Nomination Committee</b>	Mr. Huie Allen Tat Yan (許達仁) ( <i>Chairman</i> ) Mr. Ma Chi Seng (馬志成) Mr. Ho Kevin King Lun (何敬麟)
<b>Risk Management Committee</b>	Mr. Huie Allen Tat Yan (許達仁) ( <i>Chairman</i> ) Mr. Ng Man Ho Herman (吳民豪)
<b>Compliance adviser</b>	Southwest Securities (HK) Capital Limited 40/F., Lee Garden One 33 Hysan Avenue Causeway Bay Hong Kong
<b>Principal share registrar and transfer office</b>	Estera Trust (Cayman) Limited PO Box 1350 Clifton House 75 Fort Street Grand Cayman KY1-1108 Cayman Islands
<b>Hong Kong branch share registrar and transfer office</b>	Boardroom Share Registrars (HK) Limited 31/F, 148 Electric Road North Point Hong Kong
<b>Principal bankers</b>	Banco Nacional Ultramarino Avenida Almeida Ribeiro, No. 22 Macau  China Citic Bank International Limited 18Fl, Devon House, Taikoo Place 979 King's Road, Quarry Bay Hong Kong
<b>Receiving banker</b>	The Bank of East Asia, Limited 10 Des Voeux Road Central Hong Kong
<b>Website address</b>	www.apemacau.com ( <i>information in this website does not form part of this prospectus</i> )

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## INDUSTRY OVERVIEW

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*This section and elsewhere in this prospectus contain information extracted from the CIC Report and prepared independently by CIC for purposes of this prospectus. We believe that the sources of information in this “Industry overview” section are appropriate sources of information, and we have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is materially false or misleading, and no fact has been omitted that would render such information materially false or misleading. However, the information has not been independently verified by us, the Sole Sponsor, the Joint Lead Managers, the Joint Bookrunners, the Underwriters, or their respective directors or advisers or any other party involved in the Share Offer and no representation is given as to its accuracy or completeness. Such information should not be unduly relied upon. Our Directors confirm that, after taking reasonable care, there is no adverse change in the market information that would qualify, contradict or have a material impact on such information since the date of the CIC Report.*

### SOURCE OF INFORMATION

We commissioned CIC to research, analyse and report on the market for ETGs and EGMs in Macau and other Asian countries. Certain information set forth in this section has been extracted from the CIC Report. CIC is an investment consulting firm providing services including industry consulting, commercial due diligence, and strategic consulting, among others. We paid a total amount of HK\$530,000 to CIC for preparing the CIC Report. The payment was not conditional on the success of the Share Offer or on the research findings of the CIC Report.

CIC has advised that in preparing the CIC Report, it conducted both primary and secondary research. The primary research involved interviewing key industry experts and leading industry participants. The secondary research involved analysing data from various publicly available data sources, such as the International Monetary Fund, DICJ, the Macau Statistics and Census Service, and the Philippine Amusement and Gaming Corporation. All information about our Company was obtained from interviews with our Company’s management. In addition, certain government agencies, industry associations and market participants have provided some of the information on which the analysis or data was based. All statistics used in the CIC Report were based on information available as of the date of the report.

### ASSUMPTIONS USED IN THE CIC REPORT

The market projections in the CIC report were based on the following key assumptions:

- the economic and industrial development of Macau and designated Asian countries is likely to maintain a steady growth in the next decade;
- related industry key drivers are likely to drive the growth in the market for ETGs in Macau. These drivers include: (i) higher efficiency and lower entry fee of ETGs compared with traditional gaming tables; (ii) limited labour force in Macau; and, (iii) table caps in Macau; and
- there will be no extreme unforeseen circumstance or industry regulation in which the market may be affected dramatically or fundamentally.

### RELIABILITY OF INFORMATION IN THE CIC REPORT

Our Directors are of the view that the sources of information used in this section are reliable as the information was extracted from the CIC Report. Our Directors believe the CIC Report is reliable and not misleading as CIC is an independent professional research agency with extensive experience in its profession.

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## INDUSTRY OVERVIEW

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### THE ETG AND EGM MARKET IN MACAU

#### Macro-economy overview

The macro economy of Macau achieved substantial growth, its GDP increasing from approximately USD28.1 billion in 2010 to approximately USD55.5 billion in 2014, having then declined sharply to approximately USD46.2 billion in 2015 given a fall in tourist numbers and gaming industry revenues. Owing to rising exports of service and investment, the macro economy of Macau has shown signs of rebound in the second half of 2016, with positive quarterly real GDP growth of approximately 4.0% and 7.0% year-on-year for the third and fourth quarter of 2016, respectively.

The gaming industry which accounts for half of Macau's GDP, has seen a period of rapid expansion from 2003 to 2013 with the granting of a total of six (license) concession holders and the rollout of multiple new casino-resorts in the Cotai new strip. According to the IMF, Macau's GDP will therefore keep rising after 2017, reaching approximately USD49.4 billion by 2020.

#### Macau's gaming market overview

The number of casinos in Macau increased from 33 in 2011 to 38 in 2016 with the rollout of the Cotai Phase II. With the Cotai plan entering Phase III, it is expected that the number of casinos in Macau will further increase to over 40, with several expected new casino projects, such as MGM Cotai and Lisboa Palace, now under construction.

Macau's gaming revenue can be categorized into two categories in terms of gaming type: VIP gaming revenue refers to revenues generated by gaming tables located in particular gaming rooms that pay out an annual fee of MOP300,000 per table to the government, while revenues from other sources are regarded as mass gaming revenue.

Macau's gaming industry reached its peak in 2013, with a GGR of approximately USD44.1 billion. However, a significant decline in GGR took place in 2015, having decreased by approximately 34.6% over the previous year's GGR. While on the one hand, this decline in GGR arose from fewer numbers of tourists, especially VIPs, arriving from the PRC; on the other hand, this decline is only temporary given Macau's gaming industry is in its transitional stage. Casino operators are now investing more into non-gaming entertainment infrastructure, with the intention of attracting more tourists and shifting the focus of the industry towards that of diversified tourist activities. A government consultation paper, Macau Tourist Industry Master Plan, has been implemented, introducing more diversified tourist activities into Macau. These policies are expected to combine together in diversifying Macau's entertainment industry and increasing its attractiveness as a tourist destination.

The Macau gaming market as measured by GGR fell rapidly from its peak in 2013, and has declined for 26 consecutive months to September 2016. With signs of stabilization of the VIP gaming market in Q4 2016 and the continuing growth of the mass gaming market, Macau's gaming industry is expected to develop steadily at a CAGR of approximately 8.2% between 2016 and 2020 according to CIC, reaching approximately USD37.5 billion. Meanwhile, the share of total GGR captured by Macau's mass gaming market is expected to keep increasing from approximately 45.8% in 2016 to approximately 47.7% by 2020.

Macau's mass gaming market as measured by GGR grew rapidly with a CAGR of approximately 11.9% between 2010 and 2016, and it is expected to further grow to approximately USD17.9 billion in 2020. Lower game bet of mass gaming, the increasing number of middle-class people in mainland China, relaxation for entry restrictions and extension of staying period for tourists from mainland China drive the dramatic growth of Macau's mass gaming market.

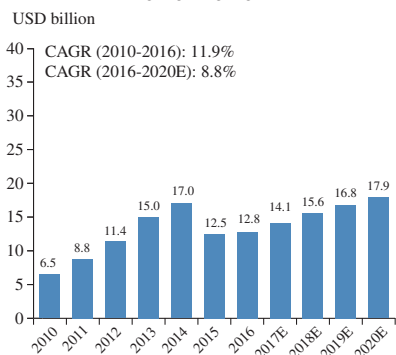
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## INDUSTRY OVERVIEW

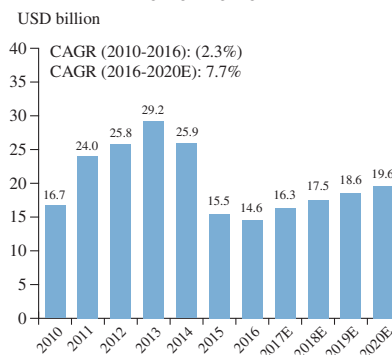
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The chart below outlines the historical and estimated gross revenue for mass gaming and VIP gaming in Macau during the periods as indicated:

**Mass gaming gross revenue,  
2010-2020E**



**VIP gaming gross revenue,  
2010-2020E**



Source: CIC Report

### Land based gaming

Macau's land based casino games are based on games of fortune which can be further categorized into two categories in terms of gaming equipment: (i) machine gaming – which refers to gaming activities taking place on machines that are completely automatic and requiring no additional human interaction; and, (ii) live gaming – which refers to gaming activities that require the involvement of a live dealer. Gaming revenues from machine gaming include gaming revenues generated by ETGs and EGMs, while gaming revenues from live gaming include gaming revenues generated by traditional gaming tables and live gaming machines.

This report focuses on machine gaming which can be further broken down into two categories, EGM and ETG, with an emphasis on the ETG market in Macau. Apart from Macau, the definition and categorisation of EGMs and ETGs also apply to Asian countries and regions.

### EGMs

EGMs are defined as electronic gaming machines, covering all electronic gaming machines excluding multi-terminal gaming machines and server based/supported gaming machines. EGMs have long been in Macau's gaming industry and were first introduced to Macau before 2000. EGMs are regarded as one of the most important equipments that could elicit the participation of players. The Macau gaming regulator (DICJ) has promulgated several technical standards to regulate the machine gaming market, including regulatory standards for both EGMs and ETGs.

### ETGs

An ETG (Electronic Table Game) is composed of a central server, player interface and all interface elements that function cooperatively for the purpose of electronically simulating table game operations. There is no live dealer and the game plays without significant human interaction including the commencement of game play, for all monetary transactions including credit reception, collecting wagers, allocating winnings, and ensuring all wagers are registered correctly.

ETGs were first introduced into Macau in 2010 and were soon widely accepted by players and casinos thereafter. Given their higher efficiencies and DICJ's table cap limitations, the gaming revenue generated by ETGs increased dramatically from approximately USD19.0 million in 2010 to approximately USD304.6 million in 2016, representing a CAGR of approximately 58.8%. Macau's machine gaming revenues are classified as mass gaming revenues. It is expected that GGR generated by ETGs will grow more rapidly than mass gaming

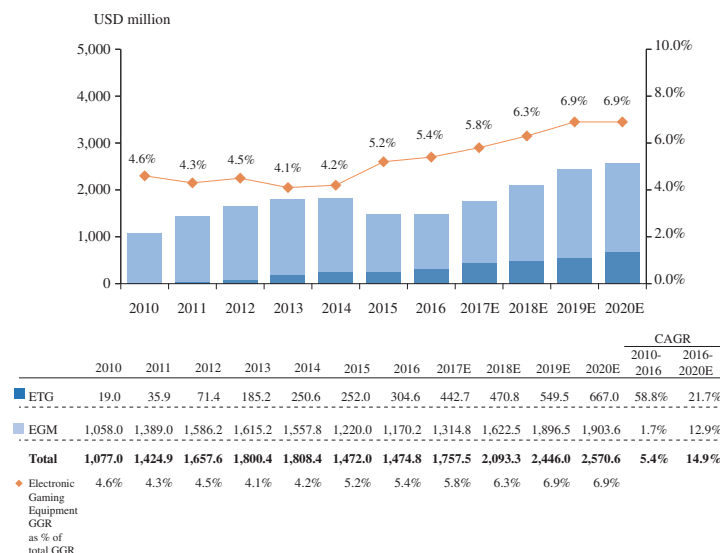
## INDUSTRY OVERVIEW

GGR, reaching approximately USD667.0 million in 2020, representing a CAGR of approximately 21.7%. Factors like high efficiency of ETGs that allows players to play more games in a certain period of time, increasing acceptance of ETGs by players, and more diversified gaming types provided by ETGs are expected to drive the growth of GGR generated by ETGs.

Moreover, since machine gaming revenue has accounted for a share of over 70% of GGR in some mature gaming market, such as Las Vegas, it is expected that Macau's machine gaming revenue will account for a higher share of its GGR in the future.

The chart below outlines the historical and estimated machine gaming revenue in Macau during the period as indicated:

**Machine gaming revenue by equipment type, Macau, 2010-2020E**



Source: CIC Report

### Overview of Macau's ETG and EGM market

The size of Macau's EGM and ETG market, as measured by sales revenue, grew from approximately USD33.8 million and USD3.8 million in 2010 to approximately USD49.2 million and USD15.8 million in 2016, representing a CAGR of approximately 6.5% and 26.8%, respectively. Meanwhile, the size of Macau's EGM and ETG market, as measured by sales volume, grew at a CAGR of approximately 7.0% and 27.6% from 2010 to 2016, reaching approximately 2,552 seats and 760 seats, respectively, in 2016.

The timing of release of new EGM and ETG technical standards in Macau is irregular. There was a considerable decrease in the sales volume and revenues for EGMs between 2012 and 2013, which was mainly due to the issuance of the EGM Technical Standards Version 1.0, which meant that manufacturers had to design their new products to meet DICJ's standards. Similar to the EGM market, the 2014 issuance of ETG Technical Standards Version 1.0 resulted in a decrease in the sales volume and sales revenues of ETGs in 2014. Nonetheless, in 2016 there was a dramatic increase in these numbers as driven by three new casino projects in Macau that same year. The existing EGMs and ETGs are new machines up to international standards, thus the leased machines market between 2017 and 2020 will not be negatively affected by the release of new standards (if any).

## INDUSTRY OVERVIEW

With the stabilization of Macau's EGM and ETG technical standards and the expected establishment of new casinos and renovation of existing casinos in Macau, such as Casino Jai Alai, MGM Cotai and Lisboa Place, it is expected that there will be an increasing demand for Electronic Gaming Equipment in the coming years. It is expected that the sales revenues of ETGs and EGMs in Macau will remain sustainable, developing at CAGRs of approximately 20.2% and 10.7% between 2016 and 2020, and reaching approximately USD33.0 million and USD74.0 million by 2020, respectively. Meanwhile, the sales volumes of ETGs and EGMs in Macau are expected to develop at CAGRs of approximately 19.6% and 10.7% between 2016 and 2020, reaching approximately 1,554 seats and 3,834 seats by 2020, respectively. The average selling price of ETGs and EGMs is expected to keep stable between 2016 and 2020.

The chart below outlines the historical and estimated size of Macau's ETG and EGM market in terms of its revenue during the period as indicated:

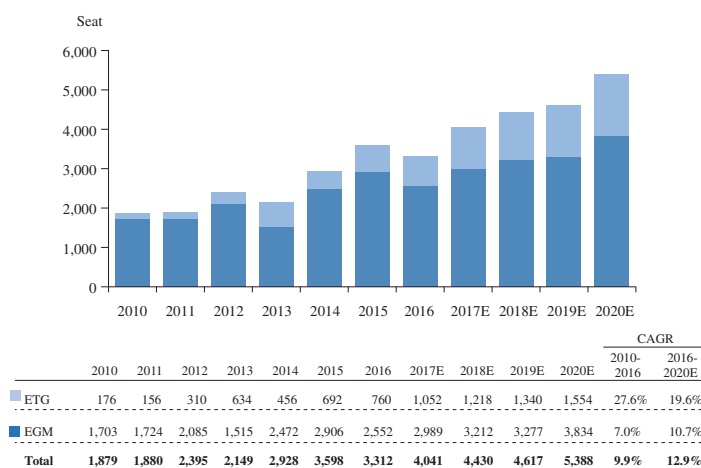
**Size of ETG and EGM market in terms of sales revenue, Macau, 2010-2020E**



Source: CIC Report

The chart below outlines the historical and estimated size of Macau's ETG and EGM market in terms of its sales volume during the period as indicated:

**Size of ETG and EGM market in terms of sales volume, Macau, 2010-2020E**

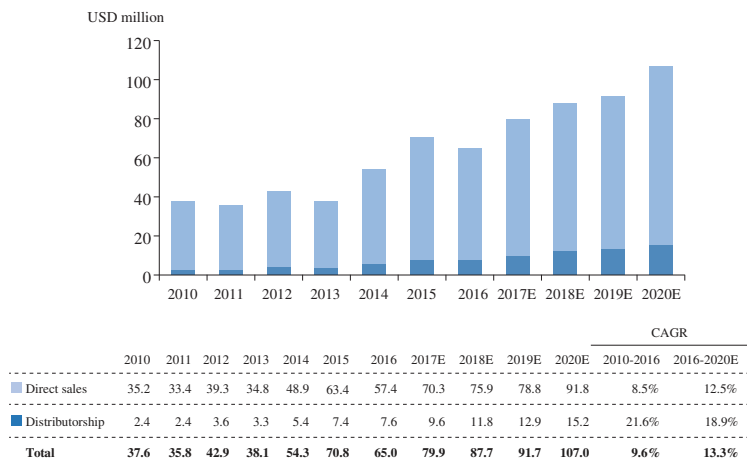


Source: CIC Report

## INDUSTRY OVERVIEW

The chart below outlines the historical and estimated size of Macau's ETG and EGM market in terms of its sales revenue by business model during the period as indicated:

### Size of ETG and EGM market in terms of sales revenue by business model, Macau, 2010-2020E



Source: CIC report

The revenue of ETGs and EGMs distributorship market in Macau has increased from approximately USD2.4 million in 2010 to approximately USD7.6 million in 2016, representing a CAGR of approximately 21.6%. Distributorship market in Macau accounted for approximately 11.7% of the total ETG and EGM market in Macau in 2016 in terms of sales revenue, and the market share of distributorship market is expected to further grow to approximately 14.2% by 2020. It is expected that the revenue of ETGs and EGMs distributorship market in Macau will reach approximately USD15.2 million in 2020, with a CAGR of approximately 18.9% between 2016 and 2020. The economies of scale and the professional and localised services provided by gaming machine distributors are expected to support gaming machine manufacturers to sell products through distributors in Macau in the next five years. Gaming machine distributors in Macau provide localized services to manufacturers, effectively helping their products meet Macau regulations and become more popular among local players. Such professional services provided by gaming machine distributors in Macau are expected to solidify the cooperation between gaming machine distributors and manufacturers. As for gaming machine manufacturers, distributorship sales model accelerates their market access progress and reduces their local operation cost, such as labour cost and office rentals. CIC is not aware of any Electronic Gaming Equipment suppliers changing from a distributorship model to a direct sales model in the Macau market during the Track Record Period.

### Key drivers of Macau's ETG market

#### *Higher efficiency and lower entry fee of ETGs compared with traditional gaming tables*

The 30-to-50-second duration for each ETG results in higher efficiencies for casino operators. The lower minimum game bet tends to attract entry-level players to play ETGs for the first time. Moreover, these higher efficiencies allow operators to generate more revenue and allow players to play more games in a certain period of time. These features have driven, and are expected to continue to drive, the development of Macau's ETG market.

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## INDUSTRY OVERVIEW

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### *Limited labour force in Macau*

Since Macau has a limited labour force, recruiting dealers has become increasingly difficult for casino operators. Given that ETGs simulate table games and require no live dealer, these machines are capable of offering table games to players with nearly no attached labour cost. The efficiencies and labour-saving benefits accrued from ETGs are expected to drive the development of Macau's ETG market.

### *Table caps in Macau*

The table games cap in Macau, limiting new gaming tables to 3% compound annual growth up to 2022, was implemented by DICJ in 2010. This is considered one of the most important drivers for the ETG market. With less than 1,000 traditional tables remaining to be allocated before 2020, casino operators are expected to adopt more ETGs and EGMs for use in either new casino projects or in the expansion of existing casinos.

### *Acceptance of machines by post-90 players*

The post-90s generation generally has a higher degree of acceptance for gaming machines as compared with older generations of players. With more post-90s Asian players starting to enter casinos, it is expected that ETGs will generate more revenue in the future. With this expected increase in revenue from machines, casino operators may decide to purchase more ETGs, and consequently creating more opportunities for gaming machine manufacturers.

### *Capability of instant systematic record*

Compared with traditional gaming tables, ETGs are completely automatic and connected to casino operators' central servers for instant systematic record. These capabilities for automatic and instant systematic record keeping have brought added convenience to casino operators in tracking player activity, comparing the revenues for each machine, and cooperating with DICJ by sharing data collected from these machines.

### **Competitive landscape of Macau's machine gaming market**

Macau's machine gaming market was highly concentrated, with the top seven participants accounting for an aggregate market share of approximately 90.8% in terms of sales revenue in 2016.

As the only independent gaming machine provider exclusively distributing other manufacturers' products among the top seven gaming machine suppliers in Macau, we ranked the fourth in Macau's machine gaming market in 2016, with a market share of approximately 8.3% in terms of sales revenue. None of the other six gaming machine suppliers had entered into distribution agreements with the Group.

The chart below outlines the rankings of Macau's gaming machine suppliers in terms of their 2016 sales revenues:

Ranking	Supplier	Business model in Macau	Brands of gaming machines in Macau	Sales revenue (USD million)	Market share
1	Company A	Direct sales	Self-owned brand	26.6	40.9%
2	Company B	Direct sales	Self-owned brand	6.4	9.8%
3	Company C	Direct sales	Self-owned brand	6.0	9.2%
4	Our Group	Distribution	Spintec, Alphabet, Konami	5.4	8.3%
4	Company D	Direct sales	Self-owned brand	5.4	8.3%
6	Company E	Direct sales	Self-owned brand	5.0	7.7%
7	Company F	Direct sales	Self-owned brand	4.3	6.6%
	Others			5.9	9.2%
	<b>Total</b>			<b>65.0</b>	<b>100.0%</b>

## INDUSTRY OVERVIEW

*Notes:*

1. In 2016, major brands distributed by our Group included Alphabet, Spintec and Konami.
2. Company A: The company was founded in 1953 in Australia. It is listed on Australian Securities Exchange and is a leading manufacturer of gaming machines in the world. It offers both new and used EGMs, leasing gaming machines services, technical services and casino management systems.
3. Company B: The company is headquartered in the U.K. and is listed on the New York Stock Exchange. It provides integrated portfolio of products and services, selling both new and used EGMs, lottery machines and sports betting machines.
4. Company C: The company was founded in 1983 in the U.S. It manufactures and sells automatic card shufflers, roulette chip sorters, new and used EGMs and ETGs.
5. Company D: The company was founded in 1968 in the U.S. and its parent company is listed on Nasdaq providing lottery and gaming machines. It is a manufacturer that sells products such as new and used EGMs, casino management systems, etc.
6. Company E: The company is headquartered in the U.S. and is a global entertainment company that designs, develops, manufactures and sells new and used ETGs and EGMs for the global casino market. It operates in the U.S., Australia, Canada and Macau.
7. Company F: The company was founded in 1989 and is headquartered in the U.S. It is a manufacturer of ETGs and EGMs with market coverage of the U.S. and Asia.

*Source:* CIC Report

With respect to ETGs, the size of Macau's ETG market, as measured by sales revenue, was approximately USD15.8 million in 2016 according to CIC, accounting for approximately 24.3% of Macau's machine gaming market. Macau's ETG market was highly concentrated with the top three companies accounting for an aggregate market share of approximately 83.5% in terms of sales revenue from ETGs in 2016. We ranked the first in Macau's ETG market, with a market share of approximately 30.4% in terms of sales revenues from ETGs in Macau in 2016.

The chart below outlines the ranking of Macau's ETG suppliers in terms of their 2016 sales revenues:

Ranking	Supplier	Sales revenue (USD million)	Market share
1	Our Group	4.8	30.4%
2	Company F	4.3	27.2%
3	Company E	4.1	25.9%
	Others	2.6	16.5%
	<b>Total</b>	<b>15.8</b>	<b>100.0%</b>

*Notes:*

1. In 2016, major brands distributed by our Group included Alphabet, Spintec and Konami.
2. For description of Company E and Company F, please refer to notes 6 and 7 under the chart outlining the ranking of Macau's gaming machine suppliers in terms of their 2016 sales revenue above.

*Source:* CIC Report

With respect to EGMs, the size of Macau's EGM market, as measured by sales revenue, was approximately USD56.0 million in 2015 according to CIC, accounting for approximately 79.1% of Macau's gaming machine market. Macau's EGM market was highly concentrated with the top four companies accounting for an aggregate market share of approximately 90.3% in terms of sales revenue from EGMs in 2015. Our Company's sales revenue from EGMs was approximately USD38,640, gaining a market share of approximately 0.07% in terms of sales revenues from EGMs in Macau in 2015.

Generally, gaming machine suppliers in Macau provide technical services to casino operators and generally allocate revenue generated from provision of technical services to product sales, while the Group is the only gaming machine supplier in Macau that provides both technical services and consulting services to its customers.

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## INDUSTRY OVERVIEW

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The entry barriers for Macau's ETG and EGM market include the following:

### ***Strict industry standards and high technical requirements***

Suppliers of ETGs and EGMs must comply with local and international industry standards. Products need to comply with local standards as issued by DICJ and further examined by designated testing laboratories such as Gaming Labs International (GLI) and BMM Testlabs. These strict criteria and relatively high technical requirements have become one of the highest entry barriers for new entrants to Macau's ETG and EGM market.

### ***Committed capital investment***

Establishing operations as a ETG and EGM equipment manufacturer requires a large amount of capital support and skilled labour. Moreover, the demand for ETG and EGM from casino operators are often project-driven, which requires manufacturers to mass produce their ETGs and EGMs with a stable quality within a certain time period. This lengthens the investment cycle for manufacturers, therefore it is especially difficult for new entrants to enter into the business without sufficient cash flow to build production capacity.

### ***Business relationship with casino operators***

The gaming industry in Macau is highly concentrated with only six licensed gaming concessionaires operating all the casinos in Macau. The operators select ETG and EGM suppliers based on their business relationship, price, quality, and other aspects. Mature ETG and EGM suppliers have established good reputations and business relationships in order to maintain their cooperation with clients. Without an established brand or distribution network, new entrants are expected to spend both considerable time and capital to establish business relationships with major casino operators in Macau.

Key success factors for Macau's ETG and EGM market include: (i) an experienced management team, (ii) an ability to provide a full range of services, (iii) local knowledge and expertise, (iv) an established reputation and strong customer network; and (v) stringent quality control and the ability to provide technical services in a timely manner.

### **Financing of Gaming Equipment**

Up till 2013, most ETGs and EGMs were purchased outright by the casino operators from manufacturers or agent suppliers. Since 2013, casino operators have been open to different ways to finance their gaming machines as they look to reduce their capex in the midst of a tighter operator market.

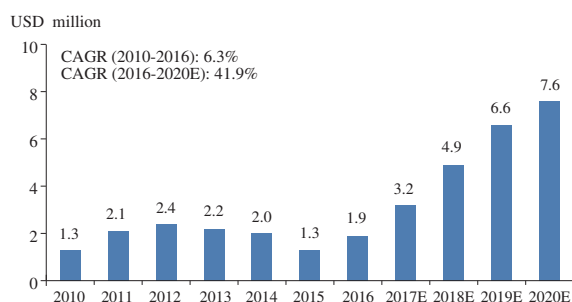
Some suppliers have pioneered the "daily fee" model whereby gaming equipment is leased to casino operators for a daily fee and not sold outright.

Generally, in Macau and South East Asia, a typical gaming machine leasing market participant contracts with casino operators for the placement of EGMs and ETGs on either a fixed leasing fee or revenue sharing basis. The leasing fee is dependent on the type and the performance of the gaming machine. Due to the cost-effective feature of leased gaming machines, the overall market is expected to be highly potential, with participation of more companies.

The leasing revenue of ETGs and EGMs was USD1.9 million in 2016, representing a CAGR of 6.3% between 2010 and 2016, as only a small number of premium gaming machines were leased by casino operators in Macau. Since 2016, the gaming machine market in Macau has been more open to the option of leased gaming machines, especially ETGs. In addition, leasing machines require less initial investment and can thus reduce cost for replacing old machines. Propelled by the growing acceptance of the machine leasing model and its cost-effective feature, the leasing revenue of ETGs and EGMs is expected to grow to USD7.6 million by 2020, with a CAGR of approximately 41.9% between 2016 and 2020.

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### Size of leased ETG and EGMs market in terms of leasing revenue, Macau, 2010-2020E



Source: CIC report

The market size of leased ETGs and EGMs in Macau grew slightly between 2010 and 2016, with a CAGR of approximately 6.3%. The decrease in leased volume of gaming machines between 2012 and 2014 was mainly in reaction to the issuance of the EGM Technical Standards Version 1.0 in 2012 and the ETG Technical Standards Version 1.0 in 2014. Due to the weak performance of gaming industry in Macau, the leased volume of gaming machines reduced in 2015. Leasing gaming machines requires less initial capital investment and can thus reduce cost for replacing old machines. Since 2016, more new gaming machine products, especially ETGs, have been introduced into Macau. Local casino operators may try these new gaming machines out through leasing, which strongly propels the development of leased gaming machines market. CIC is of the view that since the EGM and ETG technical standards are not released regularly by the relevant authority in Macau and most ETGs and EGMs are relatively new machines and up to international standards, the leased machines market between 2017 and 2020 will not be negatively affected by the release of new standards (if any). The expected opening of new casinos and renovation of existing casinos in Macau, such as Casino Jai Alai, MGM Cotai and Lisboa Palace, will also drive the demands for leased gaming machines in the future. The market size of leased ETGs and EGMs is forecasted to reach approximately USD7.6 million by 2020 with a CAGR of approximately 41.9% between 2016 and 2020, resulting from the commencement of leasing ETGs business in 2017.

The chart below outlines the ranking of Macau's leased ETGs and EGMs market suppliers in terms of their 2016 leasing revenues:

Ranking	Supplier	Leasing revenue (USD million)	Market share
1	Company A	0.6	30.0%
2	Company G	0.5	25.0%
3	Company H	0.4	20.0%
4	Company I	0.1	6.0%
	Others	0.3	19.0%
	<b>Total</b>	<b>1.9</b>	<b>100.0%</b>

Notes:

- For description of Company A, please refer to note 2 under the chart outlining the ranking of Macau's gaming machine suppliers in terms of their 2016 sales revenue above.
- Company G: The company is listed on the Main Market of Bursa Malaysia Securities Berhad. It operates in Malaysia, Kingdom of Cambodia, Lao PDR, Vietnam, Singapore, Macau SAR, the Philippines, Timor-Leste and Nepal, with products covering both used and new ETGs and EGMs, leasing services, etc.

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3. Company H: The company is one of the leading gaming machines and systems manufacturers in Taiwan. Products include ETGs, EGMs and gaming systems. It distributes and leases gaming machines in Macau.
4. Company I: The company is headquartered in Hong Kong and is listed on the Stock Exchange. It provides outsourced management solutions and information technology services to companies primarily in gaming industry as well as in other industries in Macau and Vietnam. It also provides integrated leasing and management services of gaming machines for casinos.

Source: CIC report

The leased ETGs and EGMs market in Macau is rather concentrated, with top four suppliers accounted for an aggregate market share of approximately 81.0% in terms of leasing revenue in 2016.

### Innovation of new game types

In the ETG and EGM market, there are constant innovations of new types of games. Recent innovations include virtual sports games whereby a machine simulates a sport (horse racing), but the machine still retains the game of chance logic of a slot machine. In Las Vegas, there is now an introduction of “skill based gaming” which introduced arcade style video game elements with slots based games.

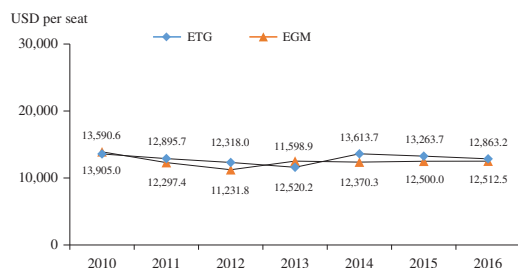
### Price of ETGs and EGMs in Macau

The average purchase prices of ETGs and EGMs have remained relatively stable between 2010 and 2016 in Macau. The purchase prices of ETGs and EGMs reached approximately USD12,863.2 per seat and USD12,512.5 per seat in 2016 respectively, representing negative CAGRs of approximately 0.9% and 1.7%, respectively between 2010 and 2016. The purchase prices of ETGs and EGMs are expected to remain stable between 2016 and 2020.

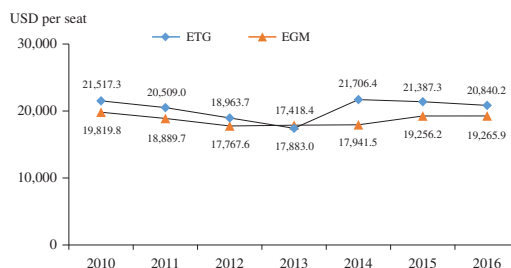
The selling prices of ETGs and EGMs remained stable from 2010 to 2016 in Macau as well. The selling prices for ETGs and EGMs were approximately USD20,790.4 per seat and USD19,265.9 per seat in 2016 respectively, with negative CAGRs of approximately 0.5% and 0.5% since 2010. The price per seat for both ETGs and EGMs is expected to keep stable between 2016 and 2020, primarily due to Macau’s increasingly regulated gaming machine industry.

The charts below outline the historical average purchasing and selling prices for ETGs and EGMs in Macau during the period as indicated:

**Average purchasing price of ETGs & EGMs, Macau, 2010-2016**



**Average selling price of ETGs & EGMs, Macau, 2010-2016**



Source: CIC Report

## OVERVIEW OF ETG AND EGM MARKET IN SOUTH EAST ASIA

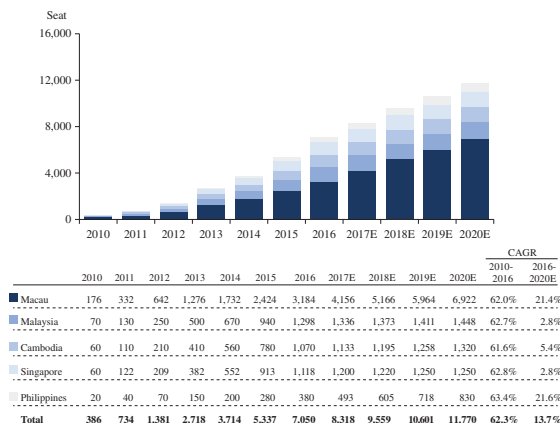
### Installed base of ETGs and EGMs in South East Asia

Since ETGs are the emerging gaming machines of choice within the South East Asian gaming industry, its installed base in Macau and South East Asia grew at an astonishing CAGR of approximately 62.3% between 2010 and 2016, reaching approximately 7,050 seats in 2016. It is expected to further increase to approximately 11,770 seats by 2020, with a CAGR of approximately 13.7% between 2016 and 2020.

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The chart below outlines the historical and estimated installed base of ETGs in Macau and South East Asia during the period as indicated:

**Installed base of ETGs, Macau and South East Asia, 2010-2020E**

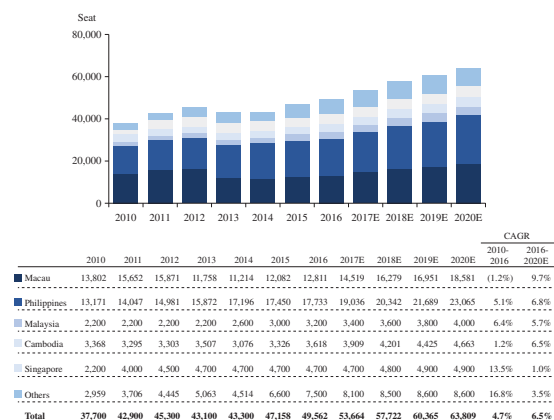


Source: CIC Report

With respect to EGMs, however, the Macau and South East Asian EGM installed base experienced a decline in 2013, due to a decrease in Macau's EGM installed base, in reaction to the 2013 issuance of Macau's new technical standards. Despite the drop in 2013, the overall Macau and South East Asian EGM installed base is expected to continue to grow at a CAGR of approximately 6.5% between 2016 and 2020, reaching a total of approximately 63,809 seats.

The chart below outlines the historical and estimated installed base of EGMs in Macau and South East Asia during the period as indicated:

**Installed base of EGMs, Macau and South East Asia, 2010-2020E**

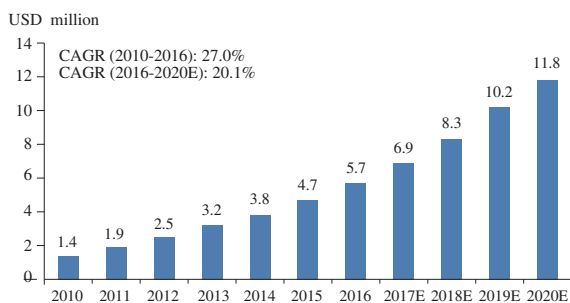


Source: CIC Report

## INDUSTRY OVERVIEW

In addition to an installed base of new machine games, there is a flourishing market in South East Asia for refurbished EGMs and ETGs. Other than the Philippines and Singapore, there is a general lack of specific technical regulations that apply to EGMs and ETGs in other emerging South East Asian countries. Countries such as Malaysia and Cambodia are emerging countries with limited regulations or standards over gaming machines, and therefore potential markets for refurbished machines.

### Size of used ETGs and EGMs in terms of sales revenue, South East Asia, 2010-2020E



*Note:* South East Asia includes Philippines, Malaysia, Cambodia, Laos and others.

*Source:* CIC report

The size of used ETGs and EGMs market in South East Asia increased from approximately USD1.4 million in 2010 to approximately USD5.7 million in 2016, representing a CAGR of approximately 27.0%. Casino operators in South East Asia purchase both new and used gaming machines as a means of product mix. Generally, new gaming machines account for a larger proportion than used gaming machines in terms of total purchased volume of gaming machines. As the used ETGs and EGMs require less purchase cost, South East Asian casinos, especially small-scale ones, are growing increasingly open to used gaming machines. It is expected that the size of used ETGs and EGMs market in South East Asia will reach approximately USD11.8 million in 2020, with a CAGR of approximately 20.1% between 2016 and 2020.

The chart below outlines the ranking of South East Asia’s used ETGs and EGMs market suppliers in terms of their 2016 sales revenues:

Ranking	Supplier	Sales revenue of used machines (USD million)	Market share
1	Company A	2.0	35.1%
2	Company B	0.9	15.8%
2	Company D	0.9	15.8%
2	Company E	0.9	15.8%
5	Company C	0.6	10.5%
	Others	0.4	7.0%
	<b>Total</b>	<b>5.7</b>	<b>100.0%</b>

*Source:* CIC report

*Notes:*

- For description of Company A, please refer to note 2 under the chart outlining the ranking of Macau’s gaming machine suppliers in terms of their 2016 sales revenue under the paragraph headed “The ETG and EGM market in Macau – Competitive landscape of Macau’s machine gaming market” in this section above.
- For description of Company B, please refer to note 3 under the chart outlining the ranking of Macau’s gaming machine suppliers in terms of their 2016 sales revenue under the paragraph headed “The ETG and EGM market in Macau – Competitive landscape of Macau’s machine gaming market” in this section above.

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## INDUSTRY OVERVIEW

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3. For description of Company D, please refer to note 5 under the chart outlining the ranking of Macau's gaming machine suppliers in terms of their 2016 sales revenue under the paragraph headed "The ETG and EGM market in Macau – Competitive landscape of Macau's machine gaming market" in this section above.
4. For description of Company E, please refer to note 6 under the chart outlining the ranking of Macau's gaming machine suppliers in terms of their 2016 sales revenue under the paragraph headed "The ETG and EGM market in Macau – Competitive landscape of Macau's machine gaming market" in this section above.
5. For description of Company C, please refer to note 4 under the chart outlining the ranking of Macau's gaming machine suppliers in terms of their 2016 sales revenue under the paragraph headed "The ETG and EGM market in Macau – Competitive landscape of Macau's machine gaming market" in this section above.

The used ETGs and EGMs market in South East Asia is rather concentrated, with the top five suppliers accounted for an aggregate market share of approximately 93.0% in terms of leasing revenue in 2016.

Other than emerging markets in South East Asia, a number of potential markets in Asia are currently studying the opening up or legalizing gaming. Japan, for example, has just passed legislation allowing gaming in the country. Emerging and potential markets in Asia can be an expanding demand for EGMs and ETGs in Asia.

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## REGULATORY OVERVIEW

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### THE GAMING CONCESSIONS REGIME IN MACAU

Following its decision to open Macau's gaming industry and the enactment of the Gaming Law the Macau Government conducted a public tender process, in 2001, for gaming concessions in Macau. In 2002, the Macau Government awarded three gaming concessions, to SJM, Galaxy and Wynn Macau.

Between December 2001 and September 2006, the Macau Government subsequently and successively authorized three sub-concessions permitting each of Galaxy, SJM and Wynn Macau to enter into the sub-concession contracts with its respective sub-concessionaires, Venetian, MGM and Melco, respectively, to operate games of fortune and chance in casinos in Macau. The granting of further sub-concessions is prohibited unless specifically authorized by the Macau Government.

The existing concessions and sub-concessions do not place any limit on the number of gaming facilities or casinos that may be operated under each concession or sub-concession, although the total number of gaming tables operating in Macau is subject to limits as may be imposed by the Macau Government from time to time.

In March 2010, the Macau Government announced that the number of gaming tables operating in Macau would not exceed 5,500 until the end of the first quarter of 2013, and in September 2011, the Macau Government announced that for the ten years after 2013, the increase in the total number of gaming tables to be authorized in Macau will be limited to 3% per year. As at the Latest Practicable Date, the Macau Government has not announced any limit on the number of Electronic Gaming Equipment operating in Macau.

A concessionaire or sub-concessionaire (hereinafter jointly referred to as "**Operator**") may increase the number of gaming tables it operates upon authorization from DICJ. DICJ considers the space of the casinos and maximum limit of gaming tables granted to an Operator upon deciding on such request.

### SUPPLY OF ELECTRONIC GAMING EQUIPMENT

The supply, including selling and leasing of Electronic Gaming Equipment in Macau is governed mainly by the Regulation, which sets out certain suitability requirements of the suppliers, which include both manufacturers and agents and conditions for authorization to carry out such activity. With respect to leasing of Electronic Gaming Equipment in Macau, pursuant to the Regulation, the lessee shall undertake the obligation to acquire the leased asset upon termination or expiry of the relevant gaming concession, so as to ensure that it is reverted to the Macau Government.

Each year, the companies intending to supply gaming equipment in Macau submit to DICJ, for the Macau Government's approval, a request for authorization to carry out such activity.

#### Licensing and Registration

Corporate entities may qualify to be suppliers of Electronic Gaming Equipment and their business purpose shall be, exclusively, the development of such activities.

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## REGULATORY OVERVIEW

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In order to obtain a governmental authorization or licence, the applicant must submit its licensing application, as well as the documents deemed necessary to confirm the applicant's suitability (including the suitability of its immediate shareholders holding 5% or more of the share capital, its directors and key employees), as listed in the Regulation. A security deposit is also required to be paid by the applicant to support the costs of the suitability checks.

After the authorization is granted, the applicant may enter into supply, distribution and/or lease agreements with the licensed gaming concessionaires and sub-concessionaires.

Changes in the shareholding of a licensed supplier, as well as agreements regarding such shareholding or the granting of voting rights, require the Macau Government's prior consent and the documents evidencing such changes shall be subsequently notified to DICJ.

The authorization is valid year on year and can be renewed yearly upon submission of an application to DICJ during the month of January. Every other six years counted from the year during which the first licence was issued, the authorized supplier is required to undergo a subsequent suitability assessment.

A list of all licensed suppliers is published by DICJ annually on its website.

### **Suitability Requirements**

Immediate shareholders holding 5% or more of a supplier's share capital and their directors and key employees must undergo suitability investigations, for which purposes specific disclosures are required. There is no legal definition of key employees, therefore, DICJ may, at its discretion, determine if a given employee is a key employee, for the purpose of such suitability investigations.

DICJ may request any public or private entity to disclose any information deemed necessary for the purpose of the suitability assessment. It may also request at any time other information or data deemed necessary for the same purpose and a credit rating report on the supplier and/or each of its immediate shareholders holding 5% or more of the share capital and directors, to be issued by a reputable international audit firm accepted by the Macau Government.

Suitability must be maintained for as long as the supplier's authorization remains valid.

DICJ may at any time request any additional disclosures and documents and conduct such further investigations as it deems fit and convenient, in order to ensure that the supplier, its key employees and its directors and immediate shareholders holding 5% or more of the share capital, maintain their suitability. All internal documents of a supplier may be subject to audit by the relevant Macau authorities, upon their request.

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## **REGULATORY OVERVIEW**

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### **Approved Electronic Gaming Equipment**

Pursuant to the Regulation, Electronic Gaming Equipment shall be approved by DICJ before being supplied in Macau. Approval is dependent on:

- (1) approval pursuant to the Standard Technical Rules for Electronic Gaming Equipment approved for Macau;
- (2) supplier's legal representative declaration certifying compliance with the minimum technical requisites for Electronic Gaming Equipment set out in the Regulation;
- (3) submission of a list of technical staff authorized to install, program, repair, adapt, support and maintain Electronic Gaming Equipment; and
- (4) laboratorial certification.

### **Technical Staff**

Pursuant to the Regulation, suppliers shall submit to DICJ a list of technical staff authorized to assemble, install, program, repair, adapt, support and maintain any approved Electronic Gaming Equipment when an application is submitted to DICJ for the approval of any Electronic Gaming Equipment. This list shall be kept updated and any change will be effective immediately upon submission to DICJ. DICJ will issue an identification card to each of the staff to use at all times when carrying out any of the abovementioned technical activities in gaming areas of casinos. DICJ may, at any time, request that the suppliers change the list of technical staff when it considers that any of them is not fit and proper, not qualified, not experienced or not duly prepared for such profession.

### **Policy Address for the Fiscal Year 2017**

The Macau Government published the Policy Address for the Fiscal Year 2017 on 15 November 2016. Such policy aims to present to Macau residents a general overview of all planned governmental actions and covers policies on all areas of the Macau Government's actions including (i) administration and justice; (ii) economy and finance; (iii) security; (iv) social affairs and culture; (v) transport and public works; (vi) commission against corruption; and (vii) commission of audit. Among the other policies proposed to be implemented under the area "economy and finance", the policy address mentioned as one of the items on the agenda, that the Macau Government intends to carry out proposed amendment of laws and regulations relating to electronic gaming equipment. However, no detail on any proposed amendment on the regulations for Electronic Gaming Equipment has been given in the policy address or in any other announcement made by the Macau Government as at the Latest Practicable Date. Furthermore, our Directors confirm that there is no official public information published by the Macau Government as at the Latest Practicable Date which indicates that any proposed amendment would have a material effect on our Group's business operation including its ability to meet its sales targets under its exclusive distribution agreements.

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## REGULATORY OVERVIEW

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### DICJ'S ROLE AND AUTHORITY

DICJ is the primary regulator and supervisory institution of Macau's gaming industry.

DICJ plays an active role in fulfilling the objectives set forth in the Gaming Law and the Regulation.

Pursuant to Administrative Regulation No. 34/2003, DICJ is entrusted with the responsibility to assist and support the Chief Executive of the Macau Government in the definition and execution of policies for the operation of casino games in Macau. Its key responsibilities are to:

- collaborate in the definition, coordination and execution of economic policies in connection with gaming activities offered to the public;
- examine, supervise and monitor the activities of the Operators, namely compliance with their respective legal, statutory and contractual obligations;
- examine, supervise and monitor the eligibility and financial capability requirements imposed on the Operators;
- assist the Macau Government with the classification and authorization of venues for gaming operations;
- authorize and certify all gaming equipment and systems to be used in Macau;
- examine, supervise and monitor the suitability of gaming promoters, and their collaborators and key employees;
- issue licences;
- examine, supervise and monitor the activities of gaming promoters, especially relating to their compliance with the applicable legal and contractual obligations;
- investigate and sanction administrative offenses according to the applicable laws;
- ensure that the relationship between the Operators, the Macau Government and the public is in compliance with applicable regulations and is in the best interest of Macau; and
- perform any such other tasks and actions not specifically identified above but that are of a similar nature, as ordered by the Chief Executive of the Macau Government or applicable laws.

DICJ is further responsible for assessing the gross daily income of the Operators. Daily operations and tabulation of net-win generated from casino games (including casino table games and slot machines) are monitored through various control procedures conducted in the casinos.

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## **REGULATORY OVERVIEW**

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### **The Gaming Commission**

The Gaming Commission was created in 2000 and restructured in 2010, and is a specialized commission reporting directly to and chaired by the Chief Executive of the Macau Government.

Its responsibility is to survey and monitor the development of Macau's gaming operations and the relevant regulatory framework and to supervise and design policies for gaming operations in Macau.

### **THE RULES OF CASINO GAMES**

The Macau Government has additional rules and regulations for casino games in addition to those set forth in Article 52 of the Gaming Law. These supplemental rules were approved by, among others, the various relevant External Dispatches of the Secretary for Economy and Finance, which set out or renewed the detailed procedures and rules of certain casino games, namely football poker, lucky wheel, baccarat, Texas Holdem poker, blackjack, cussec, roulette, Q poker, fan-tan and stud poker.

### **LABOUR REGULATIONS**

#### **Labour, Health and Safety**

The Macau Labour Relations Law of 2008 establishes the general regime of labour relations, containing various rules concerning employment contracts that range from, but are not limited to, general principles applicable to employment relationships, duties and obligations of the employer and the employee, probation period, employment contract requirements, employment contract for a fixed period, working hours, overtime, weekly time-off, annual leave, and compensation in case of contract termination without justifiable cause. The regulatory authority in charge of monitoring compliance with the labour, safety and insurance regime is the Labour Department.

Regarding the employment of foreign labour, it is important to note that non-residents of Macau are generally not permitted to work unless a proper work permit has been obtained. The employment of such workers is subject to strict regulations included in Law No. 21/2009, which sets forth the terms for granting and renewing work permits for non-resident workers, determines measures to ensure the equal treatment of Macau resident and non-resident workers and establishes minimum contract terms and limits on the duration of employment contracts with non-resident employees.

Non-compliance with the rules included in Law No. 21/2009 may constitute administrative offenses, sanctioned with fines and accessory sanctions of revocation of all or part of the authorizations to employ non-resident workers along with the prohibition to request new authorizations for a period of 6 months to 2 years, and/or criminal offenses related to illegal employment, sanctioned with effective incarceration periods, fines and/or accessory

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## REGULATORY OVERVIEW

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sanctions of (i) revocation of all or part of the authorizations to employ non-resident workers and the prohibition for a period of 6 months to 2 years to request new authorizations; (ii) prohibition, for a period of 6 months to 2 years, to participate in public tenders related to public works or public concessions; and (iii) prohibition, for the period of 6 months to 2 years, to receive any subsidies or benefits conferred by Macau public entities.

Regarding the working environment, an employer must comply with the rules provided under the General Regulation of Work Safety and Hygiene of Offices, Services and Commercial Establishments, in order to provide a safe and clean working environment for its employees. Failure to comply with those rules may result in the application of fines to the employer, according to the provisions set out by Decree Law No. 13/91/M (sanctions for the non-compliance with the General Regulation of working safety and hygiene of office, service and commercial establishments).

Pursuant to Decree Law No. 40/95/M (Legal Regime of Compensation of Damages Caused by Occupational Accidents and Diseases), Macau employers must provide accident insurance for its employees. In case the employer fails to provide such insurance, fines may be charged as legal sanction.

### **Labour Quotas**

All companies operating in Macau must apply to the Labour Department for labour or employment authorizations (generally named “*labour quotas*”) to import non-resident unskilled workers. The employment of non-resident skilled workers is also regulated and subject to authorization by the Labour Department, which grants such employment authorizations on a case-by-case basis. Skilled non-residents may also apply for residency through the Macau Trade and Investment Promotion Institute as specialized workers.

Businesses are free to employ Macau residents without any type of quota, as all Macau residents have the right to work in Macau.

Employment authorizations from the Labour Department are subject to renewal in the terms and timings specified in the authorization document. Procedures for obtaining such an authorization from the Labour Department or a renewal thereof may take up to 6 months. Furthermore, there are no guarantees that requested labour quotas or the renewal of existing labour quotas will be authorized, in full or in part, by the Labour Department and, subject to the rules and regulations of the applicable Macau Law, the respective decision is at the Labour Department’s sole discretion.

### **Mandatory Social Security Fund**

Macau employers must register their employees under the mandatory Social Security Fund.

Macau employers are required to pay social security contributions for each of its resident employees and pay a special duty for each of its non-resident employees on a quarterly basis.

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## REGULATORY OVERVIEW

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### TAXATION

The following are general descriptions of certain issues relating to Macau tax law and are based upon laws, regulations and practices in effect as at the Latest Practicable Date.

Subsequent legislative or administrative changes or interpretations may be retroactive and could affect the tax consequences to the prospective investor. In addition, practices currently in force may change.

The tax treatment of a prospective investor may vary depending on such investor's particular situation and certain investors may be subject to special rules not discussed below.

This summary does not purport to address all tax aspects that may be important to an investor. The following general descriptions does not purport to be a comprehensive description of the Macau tax aspects of the investment in shares and no information is provided regarding the tax aspects of acquiring, owning, holding or disposing of the Shares under applicable tax laws of other applicable jurisdictions and the specific Macau tax consequence in light of particular situations of acquiring, owning, holding and disposing of the Shares in such other jurisdictions.

#### **Income Complementary Tax**

Income received in Macau is generally taxable under Macau's income complementary tax provisions, irrespective of the beneficiary being an individual or a corporation, its particular line of business, its nationality or domiciliation, without prejudice to the particular deductions and allowances each tax payer enjoys.

Companies are required to declare their annual profit and such profit is subject to income complementary tax. If dividend is declared, taxable profit is based on taxable profit (after dividends have been paid).

Law No. 11/2016 determines that a portion of the companies' taxable income, of up to MOP600,000, is exempted from income complementary tax, and that the excess of taxable income be taxed at the relevant brackets (12%). These measures implemented through Law No. 11/2016 are extraordinary and there can be no assurances that the exemption limit will increase, decrease or stay at its present level.

These rates apply to the declared taxable profit (gross income less allowable deductions) from all income generating sources, except professional tax and property income, taxed separately under different regulations.

Accordingly, dividends received by individuals or corporate shareholders are income for the purposes of complementary tax and, likewise, will be subject to complementary tax as above described.

Non-Macau residents and companies not incorporated in Macau will usually not be registered with the Macau Financial Services Bureau as taxpayers and therefore will not submit their income tax returns in Macau.

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This event has led to the institution of a practice at the Macau Financial Services Bureau where Macau companies, when paying dividends to non-Macau residents or companies not incorporated in Macau, withhold the sum that would otherwise be payable as income tax on dividends paid out to these shareholders. If dividends are paid and the otherwise payable tax is not withheld, the Macau company is to subtract such dividends from its taxable profit and disclose details of the dividends distributed and the shareholders receiving such dividends in its tax form, otherwise the Financial Services Bureau of Macau would consider that no dividends were paid and tax the Macau company for its full taxable profit (before dividends were paid).

The accuracy of income statements may be challenged by the Macau taxation authorities, which will then compute the amounts due on the basis of prior results or estimations. In such event, appeals are available for unsatisfied parties.

### **TAXATION ON TRANSACTIONS OUTSIDE MACAU**

Macau's complementary income tax laws apply to all income received in Macau.

As per the practice currently in force when paying dividends to non-Macau resident shareholders, Macau companies are required to withhold the tax amounts that would be levied on such income of the shareholders if they were Macau registered taxpayers.

The tax treatment of a non-resident shareholder in jurisdictions outside Macau may vary depending on the tax laws applicable to such holder by reason of domicile or business activities and such holder's particular situation.

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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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### HISTORY AND DEVELOPMENT

#### Our Background

Our history can be traced back to late 2005 when APE BVI was incorporated by our two founders, Mr. Huie through his investment holding company, and Mr. Ng, together with Ms. Kong through her investment holding company, with a view to capturing the growth of the prospering gaming market and developing the sale and distribution business of slot machines in Macau.

APE Macau, our principal operating subsidiary, was incorporated in Macau in May 2006 with a registered capital of MOP\$100,000.00 of which each of APE BVI and Mr. Ng held one share (“*quota*”), representative of APE Macau’s share capital in the amount of MOP\$99,000.00 and MOP\$1,000.00, respectively. The business was financed by the capital of our founders, Mr. Huie and Mr. Ng, and was able to capitalise on Mr. Huie’s extensive experience in the financial and investment industry and Mr. Ng’s previous experience in managing an arcade game center in Macau. Both of Mr. Ng and Mr. Huie are our executive Directors. For their biographical details, please refer to the section headed “Directors and senior management” in this prospectus.

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 22 February 2017 and, as part of the Reorganisation, became the holding company of our Group.

The business of our Company has expanded from the sales and distribution of slot machines in Macau into (i) the technical sales and distribution of Electronic Gaming Equipment and its spare parts to casino operators; (ii) the provision of consulting services to manufacturers of Electronic Gaming Equipment and technical services to manufacturers and casino operators; and (iii) the provision of repair services to casino operators. For further details on the corporate development of our Group, please refer to the paragraph headed “History and development – Corporate development” below.

#### Our Key Business Milestones

Set out below is a summary of the key achievements and business milestones of our Group since establishment:

<b>Year</b>	<b>Milestones</b>
2005	APE BVI was established on 14 November 2005
2006	APE Macau was established on 24 May 2006
	We sold our first Electronic Gaming Equipment to a casino operated by SJM.

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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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- We later established business relationship with Customer D *(Note)*.
- 2008 We expanded our technical sales and distribution business by signing a distribution agreement with Jumbo, a major gaming technology supplier in the gaming machine and manufacturing industry.
- We established business relationship with Customer E *(Note)* and another operator of resorts and casinos in Macau, respectively.
- 2010 We established business relationship with Customer C *(Note)*.
- 2012 We further expanded our technical sales and distribution business by signing an exclusive distribution agreement with Spintec, a major gaming technology supplier in the gaming machine and manufacturing industry.
- We extended our scope of service into the provision of repair services to an operator of resorts and casinos in Macau.
- 2013 APE Macau obtained the approval of DICJ as a supplier of gaming machines and other related equipment and systems pursuant to the relevant DICJ's regulations which came into force on 27 November 2012.
- We expanded our business into the provision of technical services by securing business with a manufacturer of Electronic Gaming Equipment based in Shanghai, China.
- 2014 APE BVI was enrolled as an approved supplier of gaming machines by The Gaming Licensing and Development of the Philippine Amusement and Gaming Corporation.
- We expanded our technical sales and distribution of ETG into the Philippines.
- 2015 We expanded our business into the provision of consulting services by entering into an agreement for the supply of consulting and technical services with Sega Sammy.
- We further expanded our technical sales and distribution business by signing an exclusive distribution agreement with Konami.

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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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- 2016 We further expanded our technical sales and distribution business by selling ETG to a re-seller in Macau who exported the ETG into Vietnam.
- 2017 We commenced a trial of EGMs and ETGs with an operator of casino gaming and entertainment resort facilities in Malaysia.

*Note:* Please refer to the paragraph headed “Business – Our customers – Top five customers” in this prospectus for more information on Customer C, Customer D and Customer E.

### Corporate Development

As at the Latest Practicable Date, our Group comprised of our Company, APE BVI, APE Special 1, APE Special 2 and APE Macau. The following sets forth the shareholding and corporate structure, the place of incorporation/establishment and the principal business activities of each member of our Group as at the Latest Practicable Date.

#### APE BVI

APE BVI was incorporated in BVI as a limited liability company under the Companies Ordinance on 14 November 2005, with an authorized share capital of US\$100,000.00 divided into 100,000 shares of US\$1.00 each. On 14 November 2005, Mr. Ng subscribed for 17,500 shares and Mr. Huie through his investment holding company subscribed for 15,000 shares in APE BVI for cash at US\$1.00 per share respectively. Ms. Kong was a friend of Mr. Ng. She was first introduced to the business of our Group in 2005. On 14 November 2005, Ms. Kong, through her investment holding company subscribed for 17,500 shares in APE BVI for cash at US\$1.00 per share.

On 30 January 2008, Mr. Huie’s investment holding company transferred its entire shareholding in APE BVI to Mr. Huie, at a consideration of US\$1.00.

On 3 March 2008, Ms. Kong’s investment holding company transferred its entire shareholding in APE BVI to Ms. Kong, at a consideration of US\$1.00.

Mr. Chan was a friend of Ms. Kong. Around the end of 2013, Ms. Kong introduced Mr. Chan to the founders of our Group, Mr. Huie and Mr. Ng, and the business of our Group. As Ms. Kong decided to divest part of her shares in APE BVI, she offered to sell those shares to Mr. Chan, who has experience investing in various startups. On 23 April 2014, Ms. Kong transferred 15,000 shares out of her entire shareholding, being 17,500 shares, in APE BVI to Avanzare at a consideration of HK\$3,428,571.00, which was determined with reference to the net asset value of APE BVI in 2013. Avanzare was and is still wholly owned indirectly by Mr. Chan through See Profit Holdings Limited, a company established in BVI on 27 March 2008. Upon completion of this share transfer, APE BVI was owned as to 35% by Mr. Ng, 30% by Mr. Huie, 30% by Avanzare and 5% by Ms. Kong, respectively.

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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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On 25 June 2015, our Company allotted and issued 11,250 shares to Mr. Ng at a consideration of HK\$1,237,500.00 and 13,750 shares to Mr. Huie at a consideration of HK\$1,512,500.00, both of which were determined with reference to the net asset value of APE BVI in 2014. Upon completion of this share transfer, APE BVI was owned as to 38.33% by Mr. Ng, 38.33% by Mr. Huie, 20% by Avanzare and 3.33% by Ms. Kong, respectively.

APE BVI is an investment holding company. As at the Latest Practicable Date, APE BVI was one of the intermediate holding companies of our Group and held 99.8% of the entire issued share capital of APE Macau.

### **APE Special 1**

APE Special 1 was incorporated in BVI as a private limited liability company under the Companies Ordinance on 28 November 2016, with an authorized share capital of US\$50,000.00 divided into 50,000 shares of US\$1.00 each. Mr. Huie subscribed for one share at US\$1.00 per share and settled the consideration in cash on the same day.

Approval from DICJ in respect of the transfer of the entire shareholding of Mr. Huie in APE Macau to APE Special 1 was obtained on 7 February 2017. On 27 February 2017, Mr. Huie disposed his entire shareholding, being 10 shares representative of the share capital of APE Macau, to APE Special 1 at a consideration of US\$1.00. Documents evidencing this change were notified to DICJ on 9 March 2017.

APE Special 1 is an investment holding company of Mr. Huie. As at the Latest Practicable Date, APE Special 1 was an intermediate holding company of our Group and held 0.1% of the entire issued share capital in APE Macau.

### **APE Special 2**

APE Special 2 was incorporated in BVI as a private limited liability company under the Companies Ordinance on 28 November 2016, with an authorized share capital of US\$50,000.00 divided into 50,000 shares of US\$1.00 each. Mr. Ng subscribed for one share at US\$1.00 per share and settled the consideration in cash on the same day.

Approval from DICJ in respect of the transfer of the entire shareholding of Mr. Ng in APE Macau to APE Special 2 was obtained on 7 February 2017. On 27 February 2017, Mr. Ng disposed his entire shareholding, being 10 shares representative of the share capital of APE Macau, to APE Special 2 at a consideration of US\$1.00. Documents evidencing this change were notified to DICJ on 9 March 2017.

APE Special 2 is an investment holding company of Mr. Ng. As at the Latest Practicable Date, APE Special 2 was an intermediate holding company of our Group and held 0.1% of the entire issued share capital in APE Macau.

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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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### APE Macau

APE Macau was incorporated in Macau as a private limited liability company by shares (“*quotas*”) on 24 May 2006, with a share capital of MOP \$100,000.00. Each of APE BVI and Mr. Ng held one share (“*quota*”), representative of the Company’s share capital, in the amount of MOP\$99,000.00 and MOP\$1,000.00, respectively. APE Macau has commenced business since its incorporation.

On 18 November 2015, APE Macau was transformed into a private limited liability company by shares (“*sociedade anónima*”), whereby its trade name was modified from Asia Pioneer Entertainment Limited, in Chinese, 亞洲先鋒娛樂有限公司 and, in Portuguese, Sociedade de Entretenimento Asia Pioneer Limitada, to Asia Pioneer Entertainment Limited, in Chinese, 亞洲先鋒娛樂股份有限公司 and, in Portuguese, Sociedade de Entretenimento Asia Pioneer S.A. and its share capital was increased to MOP\$1,000,000.00 represented by 10,000 nominative registered shares with a nominal value of MOP\$100.00 each. Mr. Huie subscribed for and was issued 10 shares in APE Macau on the same day. 9,980 shares were held by APE BVI, 10 shares by Mr. Ng and 10 shares by Mr. Huie, respectively. After the capital increase, APE Macau was owned as to 99.8% by APE BVI, 0.1% by Mr. Ng and 0.1% by Mr. Huie, respectively.

Approval from DICJ in respect of the transfer of the respective entire shareholdings of Mr. Huie and Mr. Ng in APE Macau to APE Special 1 and APE Special 2, respectively, was obtained on 7 February 2017. On 27 February 2017, each of Mr. Huie and Mr. Ng transferred their respective entire shareholdings, being 10 shares representative of the share capital of APE Macau, to APE Special 1 and APE Special 2, respectively, at a consideration of US\$1.00.

As at the Latest Practicable Date, APE Macau is principally engaged in (i) the technical sales and distribution of Electronic Gaming Equipment and its spare parts to casino operators; (ii) the provision of consulting services to manufacturers of Electronic Gaming Equipment and technical services to manufacturers and casino operators; and (iii) the provision of repair services to casino operators.

### Deed of Concert Parties

As shown in the shareholding structure of our Group immediately prior to the Reorganisation set out below, Mr. Huie, Mr. Ng and Mr. Chan were respectively interested in, and entitled to exercise the voting rights attaching to, the entire equity interests of APE BVI and/or APE Macau. Immediately after completion of the Reorganisation, our Company has become the ultimate holding company of our Group. Mr. Huie, Mr. Ng and Mr. Chan, through APE HAT, were interested in and entitled to exercise voting control over 96% of the issued Shares of the Company. The Company in turn, through APE BVI, APE Special 1 and APE Special 2, was indirectly interested in the entire equity interests of APE Macau.

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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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Pursuant to the Deed of Concert Parties dated 10 March 2017 and entered into among Mr. Huie, Mr. Ng and Mr. Chan, each of them agreed, confirmed and ratified that, among other things, during a period from 1 January 2015 to the date of the Deed of Concert Parties, each of them has been cooperating with each other and acting in concert (for the purpose of the Takeovers Code), with an aim to achieve consensus and concerted action on all major affairs relating to APE BVI and APE Macau. Each of Mr. Huie, Mr. Ng and Mr. Chan further agreed, confirmed and undertook that, among other things, during periods from the date of the Deed of Concert Parties to its termination, each of them would cooperate with each other and act in concert (for the purpose of the Takeovers Code), with an aim to achieve consensus and concerted action through our Company on all major affairs relating to APE BVI and APE Macau.

These major affairs include, among other things, matters required to be approved by shareholders under the articles of association of APE BVI and APE Macau, such as the declaration of dividends, short term and long term operation and development plans, the approval of annual budgets, the adoption of accounts and the appointment of directors and senior management.

In particular, pursuant to the Deed of Concert Parties, each of Mr. Huie, Mr. Ng and Mr. Chan agreed, confirmed and undertook that from the date of the Deed of Concert Parties, among other things:

- (i) when exercising their respective voting rights at the shareholders' meetings of APE BVI and APE Macau and, if applicable, through our Company, they would vote, or procure any entities which were entitled to vote at the shareholders' meetings to vote, as the case may be, unanimously in accordance with the consensus achieved among them; and
- (ii) prior to voting on any resolutions in shareholders' meeting and board meeting of APE BVI and APE Macau and, if applicable, through our Company, each of them would discuss the relevant matters with each other with a view to reaching consensus and an unanimous vote.

The arrangements under the Deed of Concert Parties would continue to have effect unless:

- (a) the parties thereto agree in writing to terminate the same; or
- (b) upon the winding up of our Company by the passing of Shareholders' resolution under the laws of Cayman Islands.

### REORGANISATION

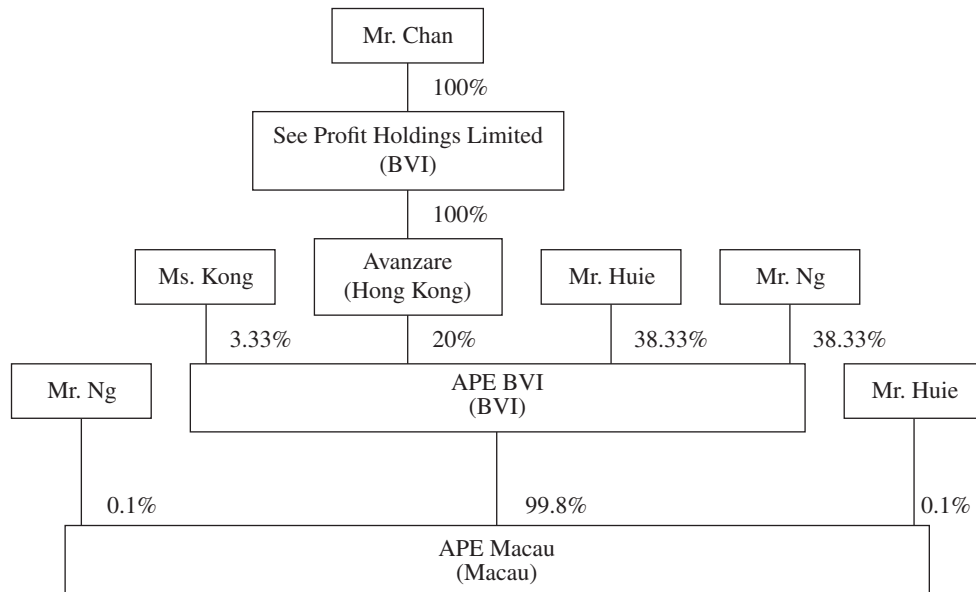
Our Company completed the Reorganisation on 14 March 2017 in preparation for the Listing. We have undertaken the following Reorganisation steps, pursuant to which our Company became the holding company of our Group.

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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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The following diagram sets out the corporate structure of our Group before the Reorganisation:



### (i) Incorporation of APE Special 1 and APE Special 2

On 28 November 2016, APE Special 1 was incorporated in the BVI as the investment holding company of Mr. Huie. One ordinary share was issued and allotted to Mr. Huie at a par value of US\$1.00 on the same day.

On 28 November 2016, APE Special 2 was incorporated in the BVI as the investment holding company of Mr. Ng. One ordinary share was issued and allotted to Mr. Ng at a par value of US\$1.00 on the same day.

### (ii) Incorporation of APE HAT

On 16 December 2016, APE HAT was incorporated in the BVI as the investment holding company of Mr. Huie, Mr. Ng and Mr. Chan. 395 shares, 395 shares and 210 shares were issued and allotted to Mr. Huie, Mr. Ng and Mr. Chan, respectively, at a par value of US\$1.00 on the same day.

### (iii) Disposal of equity interests in APE Macau by Mr. Ng and Mr. Huie

Approval from DICJ in respect of the transfer of the respective entire shareholdings of each of Mr. Huie and Mr. Ng in APE Macau to APE Special 1 and APE Special 2, respectively, was obtained on 7 February 2017.

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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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On 27 February 2017, Mr. Huie transferred his entire equity interests, being 10 shares representative of the share capital of APE Macau, to APE Special 1 at a consideration of US\$1.00, which was agreed considering that Mr. Huie is the ultimate sole shareholder of APE Special 1.

On 27 February 2017, Mr. Ng transferred his entire shareholdings, being 10 shares representative of the share capital of APE Macau, to APE Special 2 at a consideration of US\$1.00, which was agreed considering that Mr. Ng is the ultimate sole shareholder of APE Special 2.

### **(iv) Incorporation of our Company**

On 22 February 2017, our Company was incorporated in the Cayman Islands as an exempted company with limited liability. At the date of incorporation, the initial authorised share capital of our Company was HK\$10,000.00 divided into 1,000,000 Shares of HK\$0.01 each. Upon incorporation, one Share was allotted and issued to the first subscriber, Reid Services Limited. On the same day, the first subscriber transferred one Share to APE HAT at a par value of HK\$0.01.

### **(v) Acquisition of APE Special 1 and APE Special 2 by our Company**

On 13 March 2017, our Company acquired the entire issued share capital of APE Special 1 and APE Special 2 from Mr. Huie and Mr. Ng, respectively, for a consideration of US\$1.00 each, after which our Company indirectly held the entire interests of our operating subsidiary, APE Macau. Given that Mr. Huie and Mr. Ng are the ultimate controlling shareholders of our Company, it was agreed that the acquisition would be conducted for nominal consideration.

### **(vi) Acquisition of the entire issued capital of APE BVI by our Company**

Pursuant to a share swap agreement dated 14 March 2017, our Company acquired the entire 75,000 issued shares in APE BVI from Mr. Huie, Mr. Ng, Avanzare and Ms. Kong, respectively, in consideration of 2,416 Shares and 83 Shares credited as fully paid at par, being allotted and issued to APE HAT and Ms. Kong respectively.

Upon completion of the acquisition, our Company held the entire interests in APE BVI, and APE HAT and Ms. Kong in turn held 2,417 Shares and 83 Shares, representing approximately 96.68% and 3.32% of the share capital of our Company, respectively.

All the aforementioned transactions have been properly and legally completed and settled. As confirmed by our Macau legal adviser, we have obtained all the necessary consents from the Macau Government for the shareholding changes occurred in APE Macau in relation to the Listing.

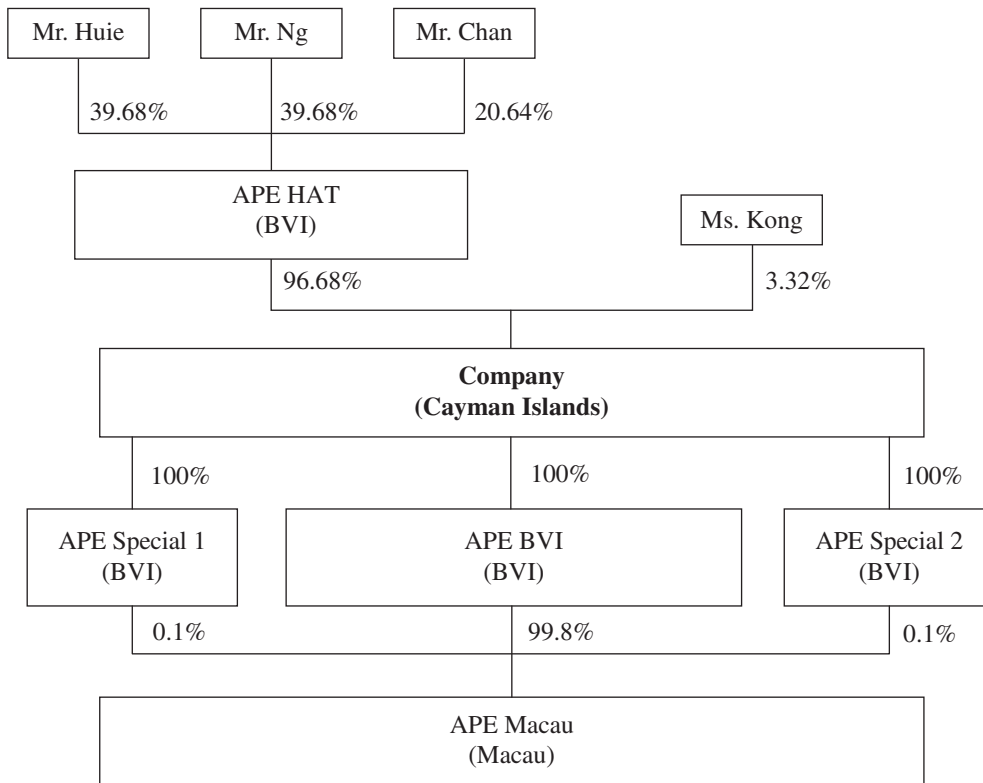
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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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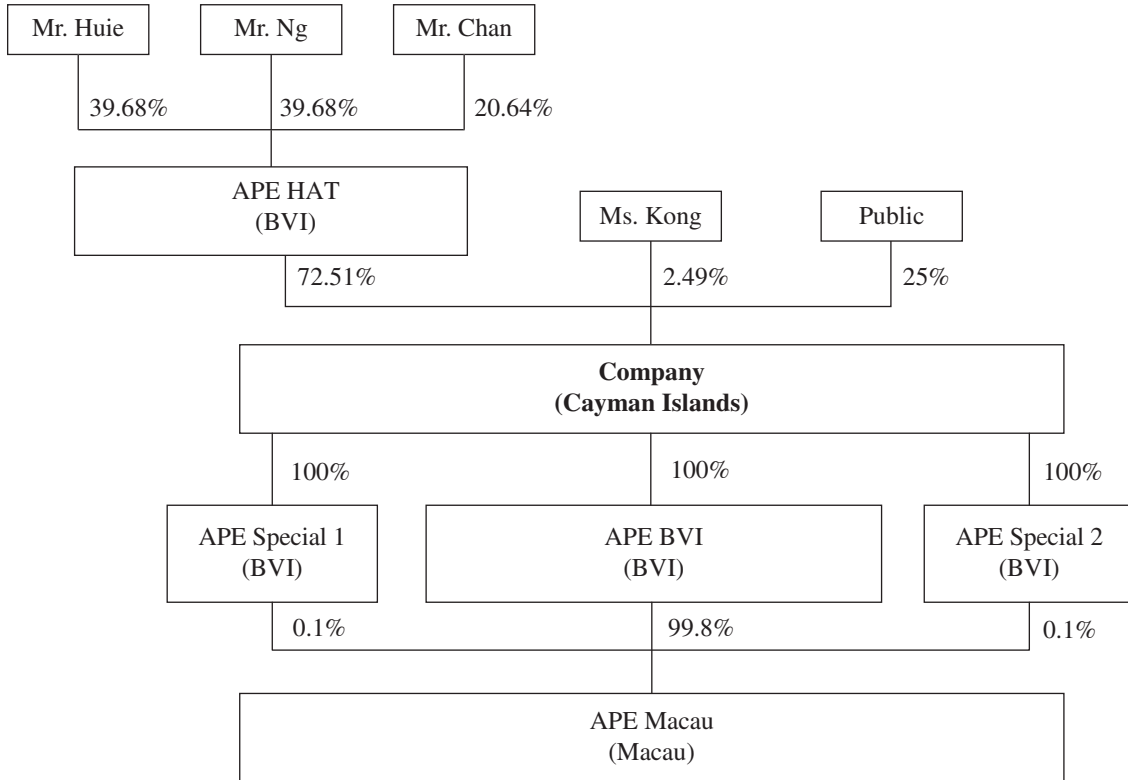
### CORPORATE STRUCTURE OF OUR GROUP AFTER REORGANISATION

The following diagram sets out the corporate structure of our Group immediately after the Reorganisation:



## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The following diagram sets out the corporate structure of our Group immediately after the completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be issued pursuant to the Offer Size Adjustment Option and any Shares which may be issued upon the exercise of any option which may be granted under the Share Option Scheme):



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## BUSINESS

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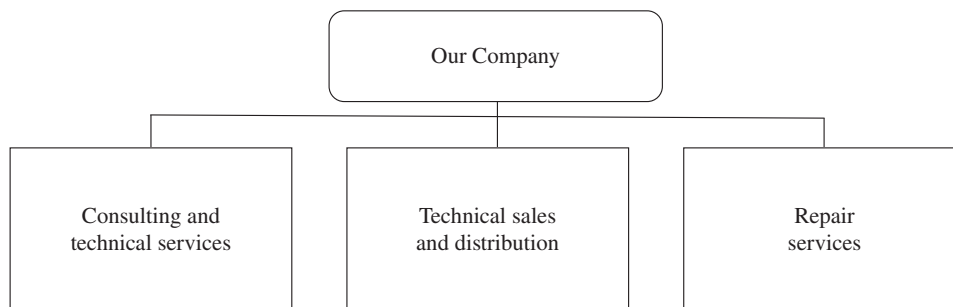
### OVERVIEW

We are the fourth largest Electronic Gaming Equipment supplier by revenue in Macau in 2016. Out of the two types of equipment categorised under our Electronic Gaming Equipment, namely ETGs and EGMs, we focus on the technical sales and distribution of ETGs and we are the largest ETG supplier in Macau in 2016 by revenue with a market share of approximately 30.4%, according to the CIC Report. Established in 2005, our Group is one of the first approved gaming machine agents in Macau to provide a full range of customised technical solutions for Electronic Gaming Equipment, with particular expertise in localisation and customisation of Electronic Gaming Equipment for the gaming market in Macau.

Our Electronic Gaming Equipment can be broadly categorised into (i) ETGs; and (ii) EGMs. An ETG is composed of a central server, player interface and all interface elements that function cooperatively for the purpose of electronically simulating table game operations. There is no live dealer and the game plays without significant human interaction including the commencement of game play, for all monetary transactions including credit reception, collecting wagers, allocating winnings, and ensuring all wagers are registered correctly. EGM covers all electronic gaming machines excluding multi-terminal gaming machines and server based/supported gaming machines. Please refer to the paragraph headed “Our business – Our products” in this section below for further details.

Our core business includes (i) the technical sales and distribution of Electronic Gaming Equipment to casino operators; (ii) the provision of consulting services to manufacturers of Electronic Gaming Equipment and technical services to manufacturers and casino operators; and (iii) the provision of repair services to casino operators.

The following diagram illustrates our main business lines:



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## BUSINESS

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The table below shows a breakdown of our revenue by business line during the Track Record Period:

	For the year ended 31 December				Four months ended 30 April			
	2015		2016		2016		2017	
	<i>HK\$</i>	%	<i>HK\$</i>	%	<i>HK\$</i>	%	<i>HK\$</i>	%
	(Unaudited)							
Technical sales and distribution	41,636,758	86.4	41,842,696	79.6	12,673,284	83.5	15,498,523	76.7
Consulting and technical services	4,737,401	9.8	8,644,766	16.4	1,754,035	11.6	3,604,796	17.8
Repair services	1,800,621	3.8	2,088,772	4.0	741,450	4.9	1,104,681	5.5
<b>Total</b>	<u>48,174,780</u>	<u>100.0</u>	<u>52,576,234</u>	<u>100.0</u>	<u>15,168,769</u>	<u>100.0</u>	<u>20,208,000</u>	<u>100.0</u>

According to the list made available on DICJ's website (which DICJ is required to keep updated, pursuant to the Regulation), as at the Latest Practicable Date, we are one of the five gaming machines agents approved by DICJ and we provide products and/or services to all six of Macau's licensed gaming concessionaires namely, SJM, Wynn, Galaxy, Venetian, MGM and Melco.

Our integrated business model and strong local knowledge of Electronic Gaming Equipment distinguish us from our competitors. As a gaming machine agent independent of any Electronic Gaming Equipment manufacturers, we are able to offer our customers with a diversified range of products manufactured by different manufacturers. We have established strong relationships with a wide range of Electronic Gaming Equipment manufacturers which we believe have strong reputation for product quality and reliability, including some major gaming technology suppliers in the gaming machine manufacturing industry, such as Alphabet, Konami and Spintec. During the Track Record Period, we entered into exclusive distribution agreements with five suppliers of Electronic Gaming Equipment from a number of different jurisdictions, namely Slovenia, Taiwan, Australia and the U.S.

According to the CIC Report, the VIP gaming market in Macau is expected to increase at a CAGR of approximately 7.7% between 2016 and 2020, while the mass gaming market in Macau is expected to increase at a higher rate, with CAGR of approximately 8.8% during the same period. Electronic Gaming Equipment, which is targeted for mass gaming market due to its lower betting limit, higher game efficiency and multiple gaming type compared to traditional gaming tables, is expected to generate more revenue with the positive growth rate of the mass gaming market and will occupy a larger share of the total gaming market in Macau.

In view of our Group's track record and our leading position as the largest ETG supplier in Macau in 2016, our Directors believe that the expected growth in the mass gaming market could create more opportunities for our Group and contribute positively to our future business.

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## BUSINESS

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Since 2014, we have expanded our customer base to South East Asia. We sold Electronic Gaming Equipment to an operator of casino gaming and entertainment resort facilities in the Philippines in 2014. In 2016, we sold Electronic Gaming Equipment, through an agent, to Vietnam and during the same year, we also entered into a trial agreement with an operator of casino gaming and entertainment resort facilities in Malaysia for sale of Electronic Gaming Equipment. For details of our trial agreements, please refer to the paragraph headed “Our business – Technical sales and distribution” in this section below. During the Track Record Period, we generated all of our revenue in Macau.

According to the CIC Report, it is expected that there will be a growing demand for Electronic Gaming Equipment in some of the Asian countries, for example the Philippines, Malaysia, Cambodia and South Korea, based on the expected expansion of existing casinos and building of new casinos in those countries between 2016 and 2020. We endeavour to further expand our customer base and broaden our revenue stream by refurbishing and reselling used Electronic Gaming Equipment in Macau to customers whom we expect will have South East Asia as their end market. We also intend to purchase Electronic Gaming Equipment for lease to casino operators in Macau upon their request at a daily fee. Since intensive capital is required for the development of such new businesses, we have not commenced leasing of Electronic Gaming Equipment or refurbishment and resale of used Electronic Gaming Equipment during the Track Record Period. Given the expected growth in demand for Electronic Gaming Equipment, we intend to finance our expansion into such new businesses with the proceeds from the Share Offer and we believe that this will allow us to increase our revenue source and result in continued growth in our business.

### COMPETITIVE STRENGTHS

We believe that the following competitive strengths contribute to our success and differentiate us from our competitors.

#### **We are the fourth largest Electronic Gaming Equipment supplier and the largest ETG supplier in Macau in 2016**

According to the CIC Report, out of the suppliers in Macau which include manufacturers and gaming machine agents, we are the fourth largest Electronic Gaming Equipment supplier and the largest ETG supplier in Macau in 2016 by revenue. Our revenue from sale of ETGs accounted for approximately 30.4% of the total revenue generated by Macau’s ETG suppliers in 2016.

The gaming industry in Macau witnessed rapid growth between 2010 and 2013, with an increase in market size of approximately US\$23.3 billion to US\$44.1 billion. We have in the past benefited from the growth of the gaming industry in Macau, especially in the Macau ETG market.

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## BUSINESS

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According to the CIC Report, ETG was first introduced to Macau in around 2010, and the installed base in Macau increased dramatically from approximately 176 seats in 2010 to approximately 3,184 seats in 2016. The growth was mainly driven by the following factors:

- (i) the Macau table cap policy limiting the increase in the number of live dealer table to 3% compound annual expansion until the end of 2022;
- (ii) the shortage of Macau residents for employment as dealers and gaming supervisors;
- (iii) the advantages brought to casino operators due to the capability of producing real time betting and winning records and the high efficiency of ETGs, which allow casino operators to potentially generate more revenue for the same period of time; and
- (iv) the increasing popularity of Electronic Gaming Equipment among players due to lower betting limit, higher game efficiency and different experience brought to players through multiple gaming types, attracting entry level players.

It is expected that the Macau gaming market and the ETG market will continue to grow in the next five years. According to the CIC Report, it is expected that there will be around five new and retrofit projects of casinos in Macau by 2020 and the ETG gaming revenue in Macau will increase considerably from approximately US\$304.6 million in 2016 to approximately US\$667.0 million in 2020, with a CAGR of approximately 21.7%.

We believe that we are well-positioned to leverage on our leading position in Macau to continue to capitalise on the future growth of the gaming market in Macau.

### **Diversified product offerings to casino operators**

According to the list made available on DICJ's website (which DICJ is required to keep updated, pursuant to the Regulation), as at the Latest Practicable Date, we are one of the five gaming machines agents approved by DICJ and we provide products and/or services to all six of Macau's licensed gaming concessionaires. We believe our strategy to position ourselves as a gaming machine agent has contributed significantly to our success.

As a gaming machine agent independent of any Electronic Gaming Equipment manufacturers, we are able to offer our customers with a diversified range of products manufactured by different manufacturers. Unlike Electronic Gaming Equipment manufacturers which may have preference with their own Electronic Gaming Equipment over those manufactured by other manufacturers, we are able to introduce and recommend to casino operators different products based on their business needs and enhance our market competitiveness. Our business model to operate as a gaming machine agent also allows us to keep capital expenditure at a lower level compared to Electronic Gaming Equipment manufacturers as production of Electronic Gaming Equipment generally requires high committed capital investment.

### **Experienced and dedicated management team**

We have an experienced, dedicated and able management team, led by our executive Directors, Mr. Huie and Mr. Ng.

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Mr. Huie and Mr. Ng are the founders of our Group. Mr. Huie is instrumental in the growth of our Group by formulating and implementing our strategic direction. Mr. Ng has over 10 years of experience in the Macau gaming industry and strong relationships with our customers and suppliers. He plays a key role in the operation of our Group's business. Mr. Huie has extensive experience in the financial and investment industry prior to joining our Group and is invaluable to our Group's expansion. In addition, we have built a capable senior management team, including Ms. Chan, Mr. Kaizu and Mr. Ip. Please refer to the section headed "Directors and senior management" in this prospectus for further information on our Directors and senior management.

Over the years, our management team has built close relationships with our key principal suppliers and customers, accumulated in-depth knowledge of our industry such that our Group could stay abreast of industry development and market trends.

Our Directors and senior management are supported by a team of committed and trained technicians and other staff. We consider our employees as our core assets and we dedicate significant resources to their development. We seek to provide our employees with training and career opportunities, which we believe is important for our long-term success and future growth.

### **Strong local knowledge of the Electronic Gaming Equipment market in Macau**

The gaming industry is a highly regulated industry in Macau. According to the Regulation, supply of Electronic Gaming Equipment must be carried out through manufacturers or agents approved by DICJ. All ETGs and EGMs must be examined by DICJ designated testing laboratories and must comply with ETG Technical Standards Version 1.0 and EGM Technical Standards Version 1.1 respectively. Mr. Ng, one of the two founders of our Group, has over 10 years of experience in the Macau gaming industry. With over 10 years of operating experience in the Electronic Gaming Equipment supply industry in Macau under the leadership of our senior management, we believe that our accumulated technical know-how and strong local knowledge allow us to capture market opportunities.

Leveraging on our deep local knowledge of the regulatory requirements for introducing Electronic Gaming Equipment to the Macau gaming market and the preferences of the end-users of Electronic Gaming Equipment in Macau, we were able to assist Electronic Gaming Equipment manufacturers, which are corporations operating outside of Macau, in successfully introducing different brands of Electronic Gaming Equipment to Macau during the Track Record Period.

### **Full range of customised and integrated services**

We have the ability to provide a full range of customised and integrated services to our customers, which include casino operators as well as manufacturers of Electronic Gaming Equipment.

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## BUSINESS

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In 2006, our Group engaged in the technical sales and distribution of Electronic Gaming Equipment. As we gained more knowledge about the Electronic Gaming Equipment and the gaming market in Macau, and built up our relationship with the manufacturers and casino operators, we successfully established our consulting and technical services as a new line of business in 2013. The establishment of such new line of business not only has expanded our source of income, but has also benefited our existing technical sales and distribution business as the manufacturers may engage us to provide technical sales and distribution services subsequent to our provision of consulting services to them.

As part of our technical sales and distribution business, we provide maintenance services to casino operators, which we believe will enhance our position as a preferred and reliable service provider that casino operators will seek when they encounter problems relating to Electronic Gaming Equipment. Such strategy has allowed us to further expand our business to include provision of repair services to casino operators in 2012. We believe that through the provision of maintenance and repair services to casino operators, we are able to understand the practical problems encountered by Electronic Gaming Equipment players which will allow us to improve our services offered in other business lines.

We consider ourselves an important channel between Electronic Gaming Equipment manufacturers, the Macau regulatory authorities and casino operators and we believe that our ability to provide customized and integrated technical solutions distinguishes us from our peers.

### **Strong relationships with our major suppliers**

We have established strong relationships with our major suppliers which we believe have strong reputation for product quality and reliability, including some major gaming technology suppliers in the gaming machine manufacturing industry, such as Alphabet, Konami and Spintec.

According to the CIC Report, in 2016, there were approximately 16 manufacturers selling ETGs in Macau either directly or through approved gaming machine agents. During the Track Record Period, we focused on the technical sales and distribution of ETGs in response to the rise in demand for ETGs. In 2015, we were the largest ETG supplier in Macau by revenue. As at the Latest Practicable Date, we have exclusive distribution rights with five Electronic Gaming Equipment manufacturers. Our distribution agreements with these manufacturers range from one to five years.

Our Directors believe that our strong and stable business relationships with our major suppliers allow us to offer casino operators a wide range of Electronic Gaming Equipment. In addition, by cultivating our relationships with such suppliers, we are also able to drive growth in our consulting and technical services business when they develop new products and capture new business opportunities.

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### **Established track record and strong relationship with casino operators in Macau**

We provide our products and/or services to all six licensed gaming concessionaires in Macau during our operating history. We have established long and stable relationship with such casino operators over our 10 years of operation in Macau. Four of our top five customers in both 2015 and 2016 are casino operators in Macau and we have an average of over 8 years of business relationship with them respectively.

To better serve our customers, we have an emergency hotline which operates 24 hours a day and seven days a week to ensure that our technical staff will provide technical advice and repair services to casino operators in a timely manner regarding technical issues that they may encounter. We believe that such ability is an important advantage which enables us to strengthen our relationship with casino operators.

### **OUR STRATEGIES**

#### **Securing more trial products and increasing sales**

A significant proportion of our revenue during the Track Record Period is attributable to technical sales and distribution of Electronic Gaming Equipment, amounting to approximately 86.4%, 79.6% and 76.7% for the two years ended 31 December 2016 and the four months ended 30 April 2017 respectively. We source Electronic Gaming Equipment from a number of manufacturers so that we can offer a wide range of products to casino operators which meet their needs. During the Track Record Period, we focused on the technical sales and distribution of ETGs. Going forward, we intend to diversify our product range with a view to increasing sales of EGMs.

During the Track Record Period, we cooperated with Electronic Gaming Equipment manufacturers to provide trial period for casino operators to test the performance of certain products before confirming the purchase. We believe that such arrangement has enhanced sales of those products during the Track Record Period. Under our exclusive distribution agreement with Spintec, we are required to pay 50% of the total purchase price as deposits for products subject to trial. Such deposits are refundable if the products have not passed trial. During the Track Record Period, other than Spintec, our suppliers do not require us to pay deposits with respect to Electronic Gaming Equipment that are subject to trial. This may limit the type and number of trial products offered by certain manufacturers.

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The table below sets out the number of trial products installed by us and the deposits made to secure trial products for the two years ended 31 December 2016 and during the period from 1 January 2017 up to the Latest Practicable Date:

	<b>For the year ended 31 December 2015</b>	<b>For the year ended 31 December 2016</b>	<b>During the period from 1 January 2017 up to the Latest Practicable Date</b>
Number of trial products installed by us ( <i>seats</i> )	0	124	167
Amount of deposits made to secure trial products ( <i>HK\$</i> )	0	1.1 million ( <i>Note 2</i> )	1.4 million ( <i>Note 3</i> )

*Notes:*

1. Our Company has entered into trial agreements with casino operators and expects that it will make further deposits for trial products to its suppliers in the amount of approximately HK\$0.9 million after the Latest Practicable Date in 2017.
2. It represents the sum of (i) 16 seats times 50% of the average cost per seat of Euro9,337.5 (equivalent to approximately HK\$77,057); and (ii) 50 seats times 20% of the average cost per seat of US\$6,828.8 (equivalent to approximately HK\$53,264).
3. It represents the sum of (i) eight seats times 50% of the average cost per seat of approximately Euro10,144 (equivalent to approximately HK\$92,882); and (ii) 24 seats times 30% of the average cost per seat of US\$18,431.3 (equivalent to approximately HK\$143,692).

In 2015, we did not install any trial products. In 2016, the number of trial products installed by us increased from zero to 124 due to the following reasons:

- (i) most of these products were newly introduced to the Macau market, of which one type was introduced by Spintec and most of the others were introduced by Alphabet; and
- (ii) for those products which had already been in the Macau market, there were casino operators which purchased those products for the first time and required trial of those products prior to purchase.

Notwithstanding the increase in the number of trial products installed in 2016 compared to 2015, the amount of deposits paid for those trial products was only HK\$1.1 million since most of them were introduced by Alphabet without deposit payment from us and most of Spintec's products sold by us during that period were mature products.

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During the Track Record Period, there were no specific terms in the distribution agreements with our suppliers (other than Spintec) which required us to pay deposits for trial products with respect to Electronic Gaming Equipment. With regard to Spintec, save for one trial order with 50 seats in the year ended 31 December 2016 which we negotiated with Spintec for exploring business opportunities and establishing relationship with a new casino customer for Spintec products and therefore got an one-off reduction of deposits to 20% of average cost per seat, we paid 50% deposits for all other trials during the Track Record Period strictly in accordance with the terms of our distribution agreement with Spintec. Please refer to the paragraph headed “Our suppliers” in this section below for details on the deposits payment terms for our suppliers. Since July 2017, as requested by Alphabet, we have to make payment for deposits in the range of 30% to 50% of the total purchase price for trial products provided by it. Based on our discussions with manufacturers, we anticipate that some of the other manufacturers may also require payment of deposits for trial products in the future.

Going forward, we intend to request manufacturers to provide more trial products in order to diversify our product range and offer more trial products to casino operators in anticipation of the high demand for new innovative products in the Macau market, thereby increasing sales of Electronic Gaming Equipment. We will select trial products based on (i) our customers’ needs and preferences which we gather through discussions with casino operators and their orders at the MGS Entertainment Show; (ii) the degree of innovation of the trial products; and (iii) our management’s view of market acceptance of the trial products. Our Company has negotiated with manufacturers and understands that:

- (i) while manufacturers would like to provide more products for trial, the capital commitment required for product trial period of 3 to 6 months would create burden on their cash flow position. Payment of deposits by us could mitigate such concern; and
- (ii) manufacturers consider payment of deposits by us as an indication of commitment to promote their products and would increase the likelihood of successful trials.

As with our arrangements with Spintec during the Track Record Period, it is intended that deposits to be paid to other manufacturers will be refundable if the trial products do not meet the agreed turnover performance. We believe that our plan to secure more trial products from Electronic Gaming Equipment manufacturers by paying them upfront deposits, which would be refundable if trial fails, does not significantly change our Group’s business model and financial position going forward since such arrangement has been adopted with Spintec during the Track Record Period.

We intend to apply approximately HK\$21.8 million of the net proceeds from the Share Offer as upfront deposits for manufacturers to provide more trial products of Electronic Gaming Equipment from the Latest Practicable Date to 30 September 2019 with a view to enhancing sales of such products. We expect that the amount to be utilised for the period from the Latest Practicable Date to 31 March 2018, from 1 April 2018 to 30 September 2018, from 1 October 2018 to 31 March 2019 and from 1 April 2019 to 30 September 2019 will be

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approximately HK\$6.5 million, HK\$6.5 million, HK\$4.4 million and HK\$4.4 million respectively, which is calculated based on the assumption of 100% trial to sales conversion rate, and by multiplying the number of seats of Electronic Gaming Equipment for trial by 50% of the estimated average cost per seat of US\$12,600 (equivalent to approximately HK\$98,280). We expect that the number of trial seats to be installed for the period from the Latest Practicable Date to 31 March 2018, from 1 April 2018 to 30 September 2018, from 1 October 2018 to 31 March 2019 and from 1 April 2019 to 30 September 2019 will be approximately 132, 132, 90 and 90 respectively. Based on the above, assuming that deposits of HK\$21.8 million are paid for trial products from the Latest Practicable Date to 30 September 2019 and such products pass trial, the amount of deposits paid will turn into sales of approximately HK\$72.3 million. In the event that the products do not pass the initial trial of 90 days and the extended trial of 90 days, the refunded deposits will be used for more trial products from other suppliers.

Compared to the amounts of deposits made to secure trial products during the Track Record Period and up to the Latest Practicable Date as disclosed above, the expected substantial increase in the amount of deposits is due to the following factors:

- (i) Manufacturers usually go through different product development cycles. Products which have not been tested by casino operators at individual casinos are generally required to undergo trial period before purchase is confirmed by such casino operators. In 2017, two of our major suppliers, namely Spintec and Alphabet have released new Electronic Gaming Equipment which we expect will increase the number of trials in 2018 onwards.
- (ii) According to our exclusive distribution agreement with Spintec, we have to pay upfront deposits for trial products to Spintec. As Spintec has released several new Electronic Gaming Equipment and the trial periods for such Electronic Gaming Equipment are expected to commence in 2018 onwards, it is anticipated that the trial deposits payable by our Company to Spintec will increase.
- (iii) With the growth of the Electronic Gaming Equipment market in Macau, it is expected that the demand from casino operators for innovative products will be high in the next five years. Based on our discussions with manufacturers, we anticipate that deposits will be required for providing more trial products.

Given that deposits for trial products will be refundable if trial fails and we have not experienced product return after expiry of an extended trial period during the Track Record Period and up to the Latest Practicable Date, other than one occasion where the casino operator decided not to purchase the product after trial, we believe that our plan will not have a material impact on our credit risk.

Our Directors consider that with limited financial resources in the past, our Group has made a lot of efforts in negotiating with our suppliers on purchase terms without providing deposits for trial products. This has limited the choice and scale of our launching new trial

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products. Our Directors believe that our proposed payment of approximately HK\$21.8 million of the net proceeds from the Share Offer as deposits for trial products will (i) incentivise our current suppliers to increase the type and number of new and innovative products to be offered for trial; (ii) attract business with new suppliers and hence enhance our portfolio of suppliers; (iii) allow us to carry a wider range of innovative and profitable products and provide larger-scale trial to our customers; (iv) increase our bargaining power to negotiate with our suppliers on other purchase terms (e.g. lower purchase cost); and (v) shorten the time required for negotiating with suppliers on purchase terms as paying deposits mitigate the suppliers' concern on cash flow and show them our commitment to promote their products. Considering the above, our Directors believe that this will enable us to introduce more innovative, popular and profitable products to our customers, thereby increasing our sales, profitability and market share in the growing gaming industry in Macau.

### **Capturing future opportunities in the gaming market by leasing Electronic Gaming Equipment to casino operators in Macau**

According to the CIC Report, there is a high potential in the Electronic Gaming Machine leasing market in Macau due to its cost-effective feature. Given our established presence in the Macau gaming industry, we believe that we can capture further business opportunities by leasing Electronic Gaming Equipment to our customers in Macau.

It is intended that we will place purchase orders with our suppliers after we have entered into lease agreements with casino operators for the type and number of Electronic Gaming Equipment required. We will deliver and assist in the installation of the products and charge casino operators a daily fee calculated based on popularity of the product and the quantity leased. During the period which the Electronic Gaming Equipment is leased, we will provide the same maintenance services as those we provide to casino operators which purchase Electronic Gaming Equipment from us.

To promote growth of our Electronic Gaming Equipment leasing business in line with our future plans, we intend to market such business to existing as well as newly open casinos in Macau. In particular, we intend to target our marketing efforts at both newly open casinos and existing casinos with renovation plans or with old machines which are due to be replaced. Some of these casinos may have limited budget on sourcing of Electronic Gaming Equipment or prefer less initial capital investment and thus interested in leasing Electronic Gaming Equipment. According to the CIC Report, casino operators have been open to different ways to finance their gaming machines as they look to reduce their capex in the midst of tighter operator market since 2013. For details, please refer to the paragraph headed "Industry overview – The ETG and EGM market in Macau – Financing of gaming equipment" in this prospectus. In addition, we will hire seven additional sales, marketing and administrative staff in the coming year with some of them being responsible for approaching casino operators to understand their preference, needs and budget on Electronic Gaming Equipment in order to introduce to them the most cost effective method of sourcing new Electronic Gaming Equipment by leasing and/or purchase.

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## BUSINESS

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We believe that the leasing business will increase our flexibility to cater for the different needs of casino operators and allow us to increase our source of revenue. As at the Latest Practicable Date, we are in discussion with a casino operator in Macau for the leasing of 20 Electronic Gaming Equipment to it. Such potential business opportunity is still under preliminary discussion and no formal agreement or memorandum of understanding has been entered into by our Group. In addition, we have received indication of interest from two other casino operators in Macau for the leasing of Electronic Gaming Equipment. We intend to apply approximately HK\$8.7 million from the net proceeds of the Share Offer for procuring Electronic Gaming Equipment for lease to casino operators in Macau having taken into account the expected lease term of three years and the forecasted market size of leasing of Electronic Gaming Equipment in Macau from 2018 to 2020 of around US\$19.1 million (equivalent to approximately HK\$148 million).

### **Capitalising on the potential demand in South East Asia for refurbished Electronic Gaming Equipment**

We believe that casino operators in Macau normally replace their inventory of Electronic Gaming Equipment with new ones every two to five years. There is however strong demand in South East Asia for such used Electronic Gaming Equipment after refurbishment.

We plan to expand our business by procuring used Electronic Gaming Equipment from Macau casino operators for refurbishment and then for resale in Macau to customers whom we expect will have South East Asia as their end market. We intend to select Electronic Gaming Equipment which is popular, well recognised in the Macau market and relatively well maintained. We believe that such Electronic Gaming Equipment will be popular in the South East Asian markets. The acquired Electronic Gaming Equipment will be stored in our warehouse for refurbishment by our technical staff. The pricing for resale of the Electronic Gaming Equipment will be determined on a cost-plus basis, taking into account the market price for refurbished Electronic Gaming Equipment and the prevailing market conditions. Based on our discussions with several prospective customers who indicated that casinos in South East Asia have interests in purchasing refurbished Electronic Gaming Equipment and have preliminary interests of over 50 refurbished Electronic Gaming Equipment, we expect that our prospective customers will purchase such Electronic Gaming Equipment for re-selling to end users in South East Asia. It is anticipated that the refurbishment and sale will take place in Macau and our customers will collect the refurbished Electronic Gaming Equipment in Macau and arrange for export themselves. Our Group currently does not intend to sell any refurbished Electronic Gaming Equipment to customers in South East Asia directly. Our customers shall be responsible for complying with laws and regulations applicable to the Electronic Gaming Equipment industry (if any) in the target South East Asian countries. As at the Latest Practicable Date, we are in discussion with a casino operator in Macau for the purchase of 300 used Electronic Gaming Equipment and with a prospective customer with business operation in South East Asia for the sale of 50 to 60 refurbished Electronic Gaming Equipment.

### **Expanding our sales and marketing team and technical team**

With a view to expanding our clientele and enhancing awareness of our Group's brand name as a gaming machine agent, we plan to reinforce our sales and marketing efforts in promoting our brand name, corporate image, the products that we supply and the services that we provide.

As at the Latest Practicable Date, our sales and marketing team is led by Mr. Ng and consists of six members who are our main contact points with our customers. Our sales and marketing team has been maintaining close contacts with our customers through previous dealings and ongoing interactions. We plan to recruit seven additional sales, marketing and administrative staff to cope with the expansion of our sales and marketing efforts in Macau.

We also intend to enhance our in-house technical repair capabilities through expanding our technical team. As at the Latest Practicable Date, we had a total of ten skilled technical staff, nine of which have obtained the relevant identification cards from DICJ. In view of the growth of the gaming industry in Macau, we anticipate that the demand for repair work will increase in the next five years. Along with our strategy to expand our business through refurbishment of used Electronic Gaming Equipment for resale in Macau to customers whom we expect will have South East Asia as their end market, we plan to hire ten additional technical staff in order to equip ourselves to capture business opportunities and cope with our business expansion.

### **Moving to new office premises with workshop and warehouse**

Currently, we have leased premises of approximately 300.5 sq.m. for our offices and technical workshop for repair, but not as a warehouse. In order to meet the future expansion plans of our business as described above, we plan to integrate our (i) offices; (ii) technical workshop for refurbishment, repair and maintenance; and (iii) warehouse by renting new office premises with a larger usable area. We estimate that the total capital expenditure for relocating from our existing leased premises to the new integrated office premises will be not less than HK\$0.3 million, covering relocation costs and costs for fixtures and fittings. We will consider the rental costs, usable area, location and our business needs when selecting suitable premises for our new integrated offices.

### **Improving our operating efficiency through new ERP system and purchasing of tools and equipment**

Adequate tools and equipment are required for us to provide installation, repair and maintenance services in respect of Electronic Gaming Equipment. We intend to purchase new tools and equipment for conducting specialist repairs.

In addition, we plan to purchase and adopt a new ERP system which would integrate the function of our various information management systems. We believe that an enhancement of our management capability and efficiency could increase our competitiveness. This new ERP system could improve the efficiency of our resource management and reduce the operating

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## BUSINESS

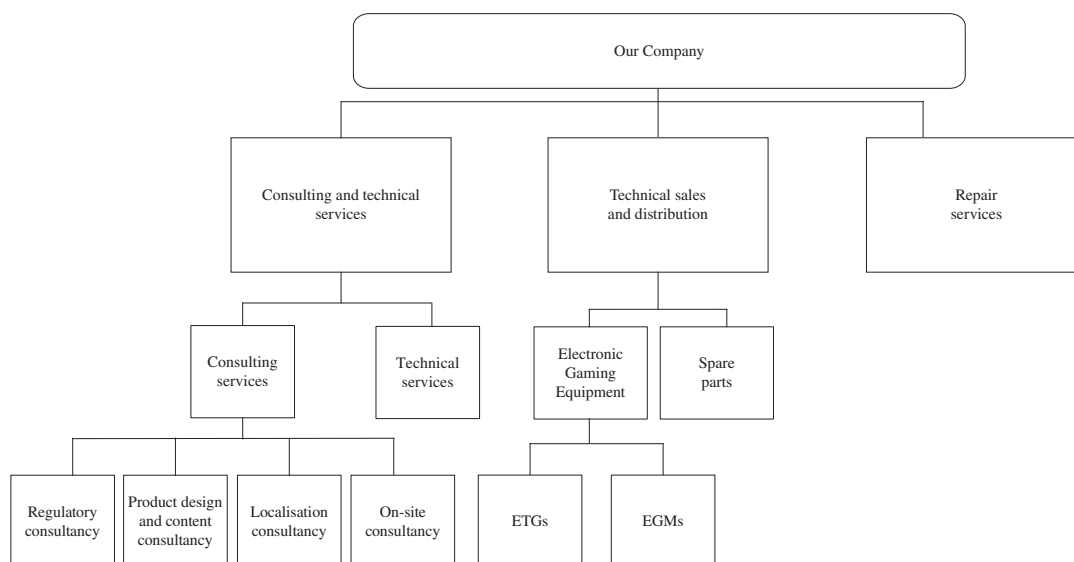
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costs by allowing us to have a more effective communication and data flow among our different operation functions, enhancing our ability to gather and analyse our operational data, and thus it is expected that it will provide support to our customer services, sales and finance and accounting operations. Such system will give us instant access to key business information such as sales information and inventory records, and allow us to perform prompt accounting and financial analysis. We believe that the new ERP system will assist us to cope with our future expansion, in particular with respect to the leasing and refurbishment and resale of Electronic Gaming Equipment where the management of our additional assets will be crucial to the operation of our business.

### OUR BUSINESS

We provide a full range of integrated services to our customers, including technical sales and distribution of Electronic Gaming Equipment and its spare parts to casino operators, mainly in Macau, delivery and installation of Electronic Gaming Equipment, consulting services to manufacturers of Electronic Gaming Equipment on the design, configuration and content of the games, assisting them in regulatory compliance and obtaining approval from DICJ for operation of Electronic Gaming Equipment in Macau, as well as 24 hour technical support and troubleshooting and repair and maintenance of Electronic Gaming Equipment. We intend to expand our business to include (i) refurbishing and reselling used Electronic Gaming Equipment in Macau to customers whom we expect will have South East Asia as their end market; and (ii) leasing of Electronic Gaming Equipment to casino operators in Macau at a daily fee. For further details, please refer to the paragraph headed “Our strategies” in this section above and the section headed “Statement of business objectives and use of proceeds” in this prospectus.

The diagram below illustrates our main business lines:



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## BUSINESS

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During the Track Record Period, we derived a significant portion of our revenue from the technical sales and distribution of Electronic Gaming Equipment and its spare parts. For the two years ended 31 December 2016 and the four months ended 30 April 2017, our revenue generated from such business line was approximately HK\$41.6 million, HK\$41.8 million and HK\$15.5 million, respectively, representing approximately 86.4%, 79.6% and 76.7% respectively of our total revenue for the corresponding periods.

As at the Latest Practicable Date, we are the exclusive distributor of five manufacturers of Electronic Gaming Equipment in Macau.

### Our Products

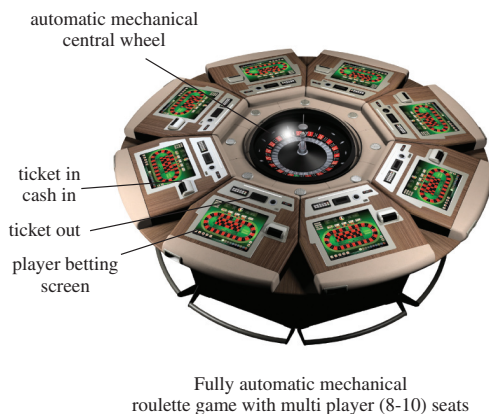
Our Electronic Gaming Equipment can be broadly categorised into (i) ETGs; and (ii) EGMs.

#### *ETGs*

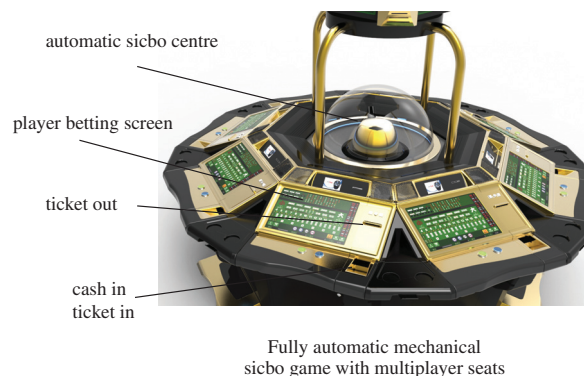
An ETG is composed of a central server, player interface and all interface elements that function cooperatively for the purpose of electronically simulating table game operations. There is no live dealer and the game plays without significant human interaction including the commencement of game play, for all monetary transactions including credit reception, collecting wagers, allocating winnings, and ensuring all wagers are registered correctly. The common types of ETGs include ETG roulette machine, ETG sicbo machine and ETG stadium games.

The following diagrams illustrate some of the ETGs which were sold to casino operators in Macau by us during the Track Record Period:

#### *ETG roulette machine*

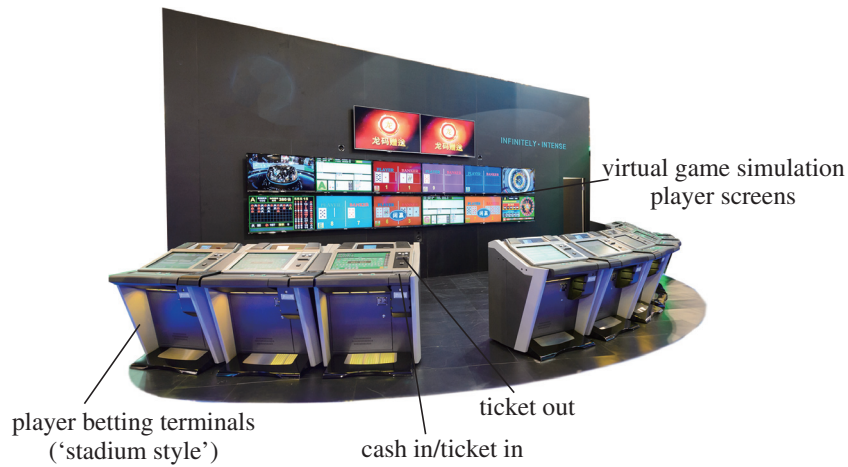


#### *ETG sicbo machine*



# BUSINESS

## ETG stadium games



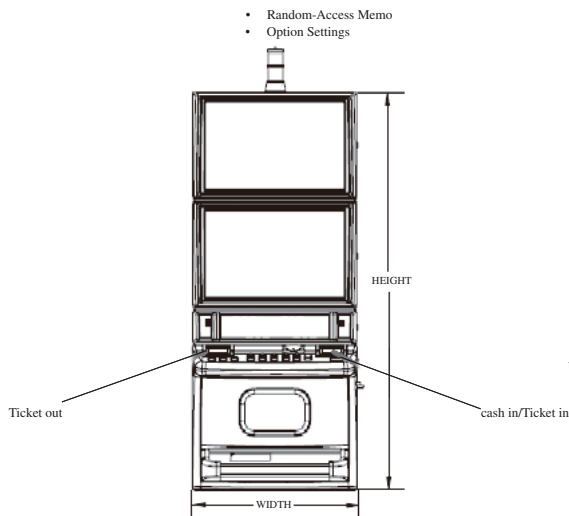
ETG stadium style games are server based simulation of table games (baccarat, sicbo, roulette). Multi-betting terminals allow for scaleable configurable layout. Players can bet on single or multiple games, in sequence accordingly.

## EGMs

EGM covers all electronic gaming machines excluding multi-terminal gaming machines and server based/supported gaming machines. The common types of EGMs include slot machine and link jackpot slot.

The following diagrams illustrate some of the EGMs which were sold to casino operators in Macau by us during the Track Record Period:

### Slot machine



### Link jackpot slot



## BUSINESS

The table below sets out a breakdown of our Group's revenue by product category under our technical sales and distribution business during the Track Record Period:

	For the year ended 31 December				For the four months ended 30 April			
	2015		2016		2016		2017	
	HK\$	%	HK\$	%	HK\$	%	HK\$	%
	(Unaudited)							
ETGs	36,768,544	88.3	37,213,433	88.9	11,177,438	88.2	13,543,413	87.4
EGMs	301,394	0.7	2,891,561	6.9	1,034,700	8.2	1,677,490	10.8
Spare parts	4,566,820	11.0	1,737,702	4.2	461,146	3.6	277,620	1.8
<b>Total</b>	<b>41,636,758</b>	<b>100.0</b>	<b>41,842,696</b>	<b>100.0</b>	<b>12,673,284</b>	<b>100.0</b>	<b>15,498,523</b>	<b>100.0</b>

In response to the rise in demand for ETGs due to the cap on number of traditional gaming tables imposed by DICJ, we focused on the technical sales and distribution of ETGs during the Track Record Period and recorded a higher number of ETGs sold compared to that of EGMs during the Track Record Period.

The table below shows the number of seats for ETGs and EGMs sold by us during the Track Record Period:

	For the year ended 31 December				For the four months ended 30 April			
	2015		2016		2016		2017	
	Number of seats	%	Number of seats	%	Number of seats	%	Number of seats	%
ETGs	212	99.1	224	91.8	64	88.9	56	82.4
EGMs	2	0.9	20	8.2	8	11.1	12	17.6
<b>Total</b>	<b>214</b>	<b>100.0</b>	<b>244</b>	<b>100.0</b>	<b>72</b>	<b>100.0</b>	<b>68</b>	<b>100.0</b>

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## BUSINESS

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The table below sets out a breakdown of our Group's ETG and EGM sales by brand during the Track Record Period:

	For the year ended		For the
	31 December		four months
	2015	2016	ended
	<i>HK\$</i>	<i>HK\$</i>	30 April
<b>ETG brand</b>			<b>2017</b>
Spintec	14,481,948	26,950,171	1,434,485
Alphabet	22,286,596	10,263,262	12,108,928
	<u>36,768,544</u>	<u>37,213,433</u>	<u>13,543,413</u>
<b>Total</b>			

There was a decrease in the amount of our sales attributable to ETGs manufactured by Alphabet in 2016 compared to 2015. Such decrease was due to a portion of the Alphabet products being installed and under trial period or pending installation in the end of 2016 resulting in the sales of such products being recognised in early 2017 instead of 2016.

	For the year ended		For the
	31 December		four months
	2015	2016	ended
	<i>HK\$</i>	<i>HK\$</i>	30 April
<b>EGM brand</b>			<b>2017</b>
Supplier A	301,394	–	–
Spintec	–	359,539	1,677,490
Alphabet	–	1,029,087	–
Konami	–	1,502,935	–
	<u>301,394</u>	<u>2,891,561</u>	<u>1,677,490</u>
<b>Total</b>			

## BUSINESS

### Gross profit and gross profit margin

The table below sets out a breakdown of our gross profit and gross profit margin by business line for the periods indicated:

	Year ended 31 December				Four months ended 30 April			
	2015		2016		2016		2017	
	<i>Gross profit margin</i>		<i>Gross profit margin</i>		<i>Gross profit margin</i>		<i>Gross profit margin</i>	
	HK\$	%	HK\$	%	HK\$	%	HK\$	%
Technical sales and distribution	15,595,193	37.5	16,285,544	38.9	5,738,922	45.3	5,996,710	38.7
Consulting and technical services	3,667,432	77.4	6,643,493	76.8	1,377,267	78.5	3,165,672	87.8
Repair services	277,369	15.4	299,310	14.3	105,851	14.3	160,833	14.6
	<u>19,539,994</u>	40.6	<u>23,228,347</u>	44.2	<u>7,222,040</u>	47.6	<u>9,323,215</u>	46.1

During the Track Record Period, a majority of our gross profit was contributed by technical sales and distribution. The table below sets out a breakdown of our gross profit and gross profit margin by product categories of technical sales and distribution for the periods indicated:

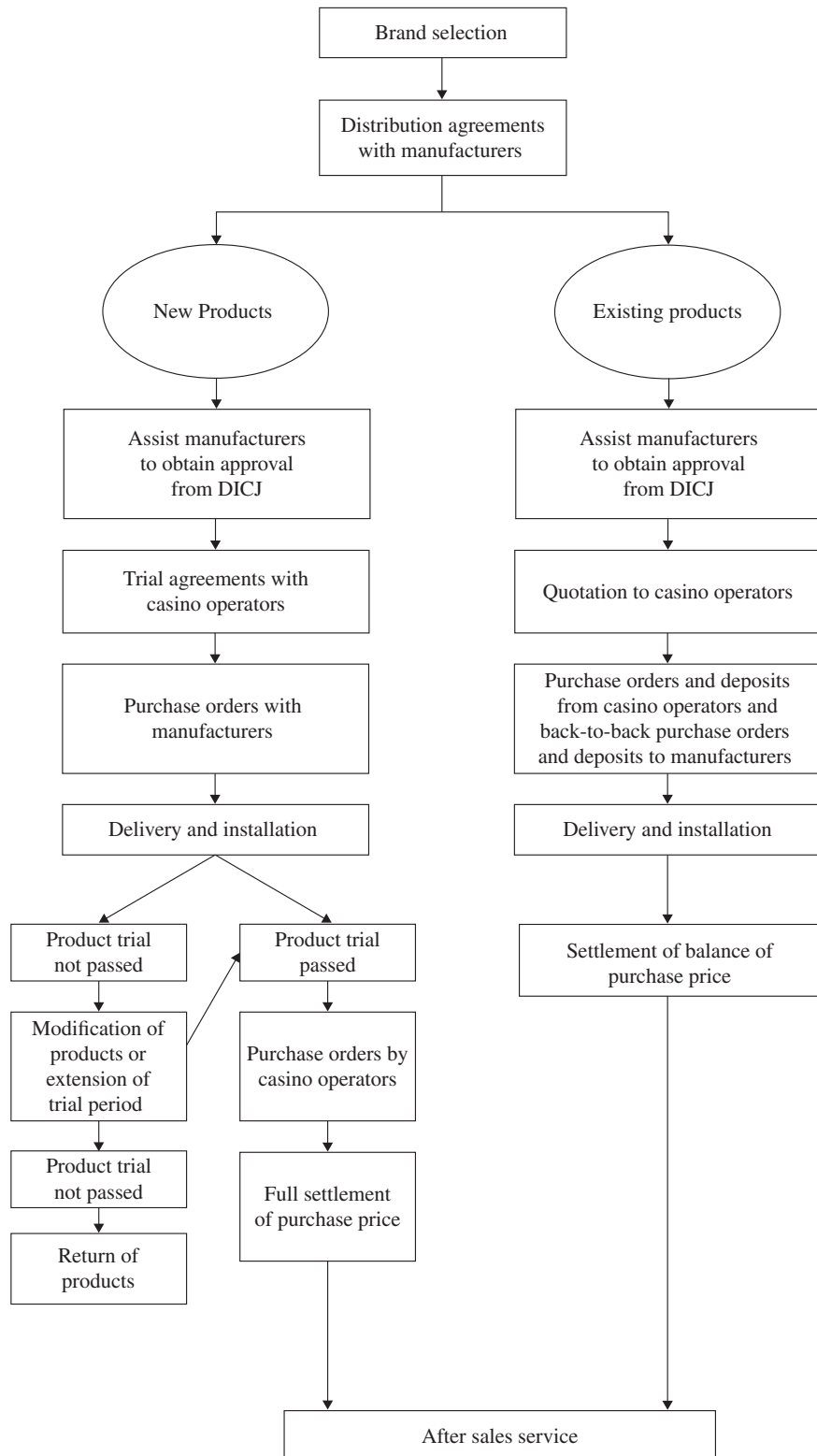
	Year ended 31 December				Four months ended 30 April			
	2015		2016		2016		2017	
	<i>Gross profit margin</i>		<i>Gross profit margin</i>		<i>Gross profit margin</i>		<i>Gross profit margin</i>	
	HK\$	%	HK\$	%	HK\$	%	HK\$	%
ETGs	13,627,515	37.1	15,257,303	41.0	5,490,961	49.1	5,214,905	38.5
EGMs	104,088	34.5	679,035	23.5	169,949	16.4	709,094	42.3
Spare parts	1,863,590	40.8	349,206	20.1	78,012	16.9	72,711	26.2
	<u>15,595,193</u>	37.5	<u>16,285,544</u>	38.9	<u>5,738,922</u>	45.3	<u>5,996,710</u>	38.7

During the Track Record Period, the fluctuations of the gross profit margin of our Electronic Gaming Equipment and its spare parts sold are mainly due to different factors, among others, such as different brands, versions, designs and technical services involved.

**Technical sales and distribution**

**1. Electronic Gaming Equipment**

The following diagram illustrates the major operation flow for our technical sales and distribution of Electronic Gaming Equipment:



### *Brand selection*

We understand that the ability to introduce innovative products with stable performance to casino operators is essential to our long-term success. Hence, we have adopted the following approach in the selection of products and suppliers:

- (i) we strive to understand customers' needs through regular site visits to casinos in Macau and engage in discussions with casino operators to gather market information such as their preferences and feedback on different products;
- (ii) to ensure that we keep abreast of the development of Electronic Gaming Equipment and the latest market information, our management regularly attends trade shows which are held both in Macau and overseas. In 2016, we participated as an exhibitor in the MGS Entertainment Show, a trade event operated by the Macau Gaming Equipment Manufacturers Association which showcased innovative product launches and technological developments in the gaming industry and created a platform for business networking among industry players;
- (iii) we evaluate the background of and select potential suppliers based on (a) their knowledge and experience in the gaming industry; (b) the degree of innovation of their products; and (c) our management's analysis of market acceptance of their products; and
- (iv) for manufacturers which we have previous business dealings with and for products which we are more familiar with, our selection criteria would be based on (a) our past experience with the manufacturers; (b) the popularity and stability of the products; and (c) our management's analysis of demand for the relevant products.

### *Distribution agreements with manufacturers*

After we have assessed the background of the manufacturers and the potential of their products, for those manufacturers carrying products which we believe are ready for introduction to the Macau gaming market, we will negotiate with them with a view to entering into distribution agreements with them. Please refer to the paragraph headed "Our suppliers" in this section below.

### *Assist manufacturers to obtain approval from DICJ*

Pursuant to the Regulation, Electronic Gaming Equipment shall be approved by DICJ before being supplied in Macau. For new products and existing products which have not been approved by DICJ, we will assist our suppliers and liaise with DICJ to obtain the necessary approval.

We will examine our suppliers' products and work with them to ensure that their products comply with the requirements of DICJ and DICJ's designated testing laboratory. We may suggest modifications to their products, if required. After the products have been certified by the designated testing laboratory, we will assist our suppliers in obtaining approval from DICJ for the supply of their products in Macau.

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## BUSINESS

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(I) New products

Trial agreements with casino operators

We enter into trial agreements with casino operators before confirming sales of new products in order to provide them the opportunity to test the viability of a new product. The trial period is typically 90 days commencing on the date of installation of such product at the casino. The trial agreement typically sets out an indicated turnover performance for such product and if the product has achieved the agreed benchmark within the trial period, the casino operator will usually commit to purchasing such product.

Purchase orders with manufacturers

After we have entered into trial agreements with casino operators, we place back-to-back orders with our suppliers specifying the key terms such as the trial period and indicated turnover performance for the product as agreed between us and the casino operator. Other than Spintec and Alphabet, our suppliers do not require us to place deposits with them for trial products. For payment terms with Spintec and Alphabet in respect of their trial products, please refer to the paragraph headed “Our suppliers” in this section below. However, in order to secure more trial products in the future, we intend to request manufacturers to provide more trial products by paying them an upfront refundable deposit. For further details, please refer to the section headed “Statement of business objectives and use of proceeds” in this prospectus.

Delivery and installation

Depending on the terms of our distribution agreements, delivery of products may be arranged by casino operators or us. Our technicians, who are registered with DICJ, will perform routine checking on the products once the products are delivered to Macau or the casinos designated by casino operators, to ensure that the products conform to the specifications contained in the certificate issued by DICJ’s designated testing laboratory and the documents submitted to DICJ for approval. We will also carry out installation of the products at casinos. Our technicians will prepare installation checklists specific to different products and ensure that installation is completed in accordance with the checklists. After installation, DICJ will inspect such products and will issue to casino operators final approval for operation if the products are in compliance with the relevant requirements.

During the Track Record Period and up to the Latest Practicable Date, all Electronic Gaming Equipment installed by our Company had been approved by DICJ for operation and our Company had not installed any Electronic Gaming Equipment which did not conform to DICJ’s requirements.

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## BUSINESS

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### Product trial passed

If the product has achieved its agreed turnover performance and/or the casino operator decides to purchase the product, the casino operator will issue a purchase order to our Company and make payment for the product within 30 days of the conclusion of the trial. Our suppliers allow us credit period of 30 to 60 days upon conclusion of a successful trial to settle full payment of the product.

### Product trial not passed

If the product has not achieved its agreed turnover performance during the trial period, we will usually offer an extension of the trial period of up to three months to the casino operator. We will suggest and carry out modification to the product such as changing of games based on the casino operator's feedback on the performance and popularity of the product. If the product fails after an extended trial period, the casino operator will not be obliged to make payment for the product but will be required to return the product to us or our supplier directly within 45 working days from the end of the extended trial period. During the Track Record Period and up to the Latest Practicable Date, other than one occasion where the casino operator decided not to purchase the product after trial, we have not experienced product return after expiry of an extended trial period. We were not required to pay deposit for such trial product and the trial product has been returned to the supplier. Under our trial agreement, all earnings derived from the operation of the product during the trial period belong to the casino operator.

## (II) Existing products

For existing products which the casino operator is more familiar with or where their popularity or stability is already recognised in the Macau market, upon the casino operator's request, we will provide them with a quotation for the relevant products. We determine the selling price of Electronic Gaming Equipment on a cost-plus basis, taking into account various factors including (i) the quantity of the order; and (ii) the demand for the specific product. The average selling price per seat of Electronic Gaming Equipment sold by us for the two years ended 31 December 2016 and the four months ended 30 April 2017 are approximately HK\$173,000, HK\$164,000 and HK\$224,000 respectively. We require casino operators to pay 30-50% of the total transaction amount as deposit upon their placing of purchase orders. We place purchase orders with our suppliers upon confirmation of purchase orders from casino operators on a back-to-back basis and our suppliers require us to pay 50% of the total transaction amount as deposit upon our placing of purchase orders.

For those existing products which are purchased by casino operators for the first time, they are normally required to undergo a trial period prior to the purchase. For further details, please refer to the paragraph headed "Our business – Technical sales and distribution – 1. Electronic Gaming Equipment – (I) New products" in this section above.

*Delivery and installation*

The logistics and arrangement for delivery and installation are the same for both new and existing products. Generally it takes around three months from our placing of purchase orders with our suppliers to delivering of the products to Macau.

*Settlement of balance of purchase price*

We require casino operators to settle the balance of the purchase price within 30 to 75 days upon delivery of the products and we make payment to our suppliers within 30 to 60 days upon delivery or from the date the product operates on casino floor.

*After-sales service*

As part of our technical sales and distribution business, we provide after-sales services to casino operators which purchased Electronic Gaming Equipment from us. Our after-sales services include 24 hour a day and seven days a week technical support, maintenance of Electronic Gaming Equipment and upgrading game kit. Some of our suppliers provide support and/or training to our staff to enable our staff to understand the operation, function and/or components of their products in order for our staff to carry out initial installation and maintenance of their products.

Our suppliers provide warranty against faulty parts and workmanship for a period of three to 12 months from installation of the product. Such warranty does not apply to fair wear and tear or willful damage to the product. Some of our suppliers will also provide us with assortment of spare parts of the product for us to carry out maintenance work. We provide warranty to casino operators based on the warranty granted to us by our suppliers. We offer maintenance and repair services to casino operators at a fee on an ad hoc basis after the expiration of the warranty period. For details of such maintenance and repair services provided by us, please refer to the paragraph headed “Our business – Consulting and technical services – 2. Technical services to manufacturers and casino operators” in this section below.

**2. *Spare parts of Electronic Gaming Equipment***

Other than Electronic Gaming Equipment, we also sell spare parts of Electronic Gaming Equipment such as monitors, buttons and power supplies to our customers. We maintain an inventory of spare parts which we believe are commonly used for sale and maintenance. When spare parts are not available in our inventory, we will place orders according to our customers’ request with relevant manufacturers or suppliers. We charge the spare parts based on a price list agreed with casino operators which is determined with reference to market rate. For the two years ended 31 December 2016 and the four months ended 30 April 2017, our revenue generated from sale of spare parts of Electronic Gaming Equipment was approximately HK\$4.6 million, HK\$1.7 million and HK\$0.3 million respectively.

During the Track Record Period, we have purchased spare parts for technical sales and distribution from Kuawai, which is wholly-owned by two relatives of Mr. Ip, a senior management of our Company and our assistant general manager (technical). For the two years ended 31 December 2016 and the four months ended 30 April 2017, our purchase of spare parts for technical sales and distribution from Kuawai amounted to approximately HK\$1.8 million, HK\$0.8 million and nil respectively.

### **Consulting and Technical Services**

#### ***1. Consulting services to manufacturers***

Leveraging on our local knowledge on the regulatory requirements and the preferences of casino operators in Macau, we provide consulting services to manufacturers of Electronic Gaming Equipment which can be broadly divided into four categories, namely (a) regulatory consultancy; (b) product design and content consultancy; (c) localization consultancy; and (d) on-site consultancy. We determine our fees on a case by case basis, taking into account various factors including the scope, extent and complexity of services required.

We set out below further details of our consulting services provided to manufacturers of Electronic Gaming Equipment during the Track Record Period:

##### *Regulatory consultancy*

According to the Regulation, supply of Electronic Gaming Equipment must be carried out through manufacturers and agents approved by DICJ. All ETGs and EGMs must be examined by DICJ's designated testing laboratories and must comply with ETG Technical Standards Version 1.0 and EGM Technical Standards Version 1.1 respectively. We work alongside with Electronic Gaming Equipment manufacturers and provide consulting services to them in order to assist them in obtaining approval from DICJ for supply and operation of their products in Macau. We also suggest technical modifications to their products, if required, in order to ensure that their products meet the Macau regulatory requirements and the requisite requirements for obtaining the gaming laboratory certificates.

##### *Product design and content consultancy*

We provide manufacturers with information on past and current trends of Electronic Gaming Equipment. This includes, but is not limited to, necessary and/or popular features and basic hardware specifications. We also provide suggestions on changes which should be made to existing hardware and software, theme and interface of the games and game mathematics etc. These services are offered in relation to both new and existing Electronic Gaming Equipment with a view to encouraging product development and increasing appeal of the relevant product to end-users and hence creating more sales opportunities.

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## BUSINESS

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### *Localisation consultancy*

Some jurisdictions may require an Electronic Gaming Equipment to have certain localised features before it is approved for sale or operation. For example, in Macau, according to ETG Technical Standards Version 1.0 and EGM Technical Standards Version 1.1, written messages displayed on an Electronic Gaming Equipment shall be in both English and Chinese. In addition, there must be an option for the player to view all written messages in the game rules and messages displayer either in English or Chinese and all messages displayed shall be both grammatically and syntactically sound, in the languages. We assist manufacturers in language translation of the user interface, inclusion or exclusion of certain game mechanics and features, re-skinning of games, etc.

### *On-site consultancy*

We offer on-site visit services to the research and development department of Electronic Gaming Equipment manufacturers in order to discuss and provide instant feedback on their products. We also arrange for manufacturers site visits to casinos so that they can have a better understanding of the needs of casino operators as well as players.

During the Track Record Period, we entered into four consultancy agreements. The consulting services provided by us to each of our customers and the major terms of those agreements are set out below:

	<b>Sega Sammy</b>	<b>Customer A<sup>(Note 1)</sup></b>	<b>Customer B<sup>(Note 2)</sup></b>	<b>Jumbo</b>
Consulting services provided	<p>Discussed the development of brand recognition for Sega Sammy</p> <p>Assisted in modification of product, arranging shipment of parts</p> <p>Assisted in installation of the product in Macau casinos</p>	<p>Provided advice and liaised with authorised laboratories, casino operators and DICJ in respect of the technical standards, specifications and requirements for EGM(s) manufactured by Customer A</p> <p>Provided advice in respect of EGM(s) manufactured by Customer A in terms of their design, features, specifications and game hardware</p>	<p>Assisted in modification of game interface and server</p>	<p>Provided suggestions on (i) changes to the product to ensure compliance with DICJ's requirements; (ii) new features to improve the game; (iii) hardware to strengthen the security of the product</p> <p>Reviewed final prototype</p>

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## BUSINESS

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	<b>Sega Sammy</b>	<b>Customer A</b> <sup>(Note 1)</sup>	<b>Customer B</b> <sup>(Note 2)</sup>	<b>Jumbo</b>
Duration	1 year from 1 March 2015, and was extended for 1 additional year and to be automatically renewed from year to year for one year term, unless either party gives the other 30 days prior written notice to terminate the agreement	2 months from 18 December 2015	From 1 July 2016 to 28 February 2017	From 1 June 2016 to 30 November 2016
Payment term	A fixed fee payable on a monthly basis	Fixed fees upon completion of certain milestones as specified in the agreement	A fixed fee payable in 2 instalments	A fixed fee payable in 2 instalments
Termination	The agreement may be terminated by either party giving the other 30 days prior written notice	The agreement may be terminated by Customer A by giving not less than 30 days prior written notice	The agreement may be terminated by either party giving the other 30 days prior notice	The agreement may be terminated by either party giving the other 30 days prior notice

*Notes:*

1. Customer A is a corporation incorporated in the United States and a manufacturer of Electronic Gaming Equipment.
2. Customer B is a company incorporated in the British Virgin Islands with place of operation in Taiwan and principally engaged in software design.

### **2. *Technical services to manufacturers and casino operators***

During the Track Record Period, we provided technical services to manufacturers and casino operators on areas such as installation, maintenance and repair of Electronic Gaming Equipment and assisting in the upgrade of Electronic Gaming Equipment game kit at their request in order to add or improve features of the software. Such technical services are normally carried out by our technical staff in the gaming areas of casinos. For these technical services, we generally determine our fees on a case by case basis, taking into account various factors including the scope, extent and complexity of services required.

### **Repair Services**

To complement our technical sales and distribution business, we also provide repair services (which may include replacement of spare parts) to casino operators in Macau outside their gaming areas. During the Track Record Period, we outsourced our repair work to Kuawai, which is wholly-owned by two relatives of Mr. Ip, a senior management of our Company and our assistant general manager (technical). This arrangement helped us supplement the capacity of our technical staff. For the two years ended 31 December 2016 and the four months ended

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30 April 2017, our revenue generated from repair services accounted for approximately 3.8%, 4.0% and 5.5% respectively of our total revenue. We generally charge casino operators for provision of repair services based on an agreed repair services price list which is determined with reference to the cost of the item to be repaired. In case replacement of spare parts is required, the cost of spare parts used is charged based on an agreed price list with reference to market rate. The outsourcing fees paid by our Group to Kuawai were determined by arm's length negotiations between the parties and with reference to the price charged by us to casino operators for the repair works. For the two years ended 31 December 2016 and the four months ended 30 April 2017, our expenses for repair services provided by Kuawai represented approximately 5.3%, 6.1% and 8.7% respectively of our total cost of sales. As we anticipate that repair services will continue to grow and in order to control the quality and enhance efficiency of our repair services, we intend to gradually decrease outsourcing repair work to Kuawai.

### OUR CUSTOMERS

Our customers are mainly casino operators in Macau, and also include manufacturers of Electronic Gaming Equipment. While we have focused our business in Macau during the Track Record Period, we have expanded our customer base to South East Asia since 2014. Along with the provision of consulting and technical services to manufacturers of Electronic Gaming Equipment, we were able to reach a wider customer base covering different regions of the world in addition to Macau.

With regard to our technical sales and distribution business or our repair services, we did not enter into any long-term agreement with our customers during the Track Record Period. While our business with our customers are non-recurring in nature, our relationships with our major customers are stable, and we believe that we are the trusted business partner of our major customers for technical solutions for Electronic Gaming Equipment.

For our consulting services and technical services to manufacturers, we typically enter into agreements with our customers with a specified duration. The scope of services, duration and other terms of such agreements vary and are negotiated on a case by case basis. For further details of the consulting services provided, please refer to the paragraph headed "Our business – Consulting and technical services" in this section above.

During the Track Record Period, we did not experience any material bad debts, nor experience any significant difficulties in collecting our trade receivables from our customers and did not experience any significant disputes with our customers.

### Top five customers

During the Track Record Period, four of our top five customers were customers engaging our technical sales and distribution services. For the two years ended 31 December 2016 and the four months ended 30 April 2017, our five largest customers accounted for approximately 92.0%, 88.2% and 85.6%, respectively of our total revenue, while the largest customer accounted for approximately 63.2%, 24.1% and 44.5%, respectively of our total revenue for the respective periods.

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All of our five largest customers during the Track Record Period are Independent Third Parties. To the best of our Directors' knowledge, none of our Directors or their respective close associates or any person who, to the knowledge of our Directors, owns more than 5% of our issued share capital or of any of our subsidiaries, had any interest in any of our five largest customers during the Track Record Period.

The table below sets out information of our top five customers for each of the periods indicated:

***For the year ended 31 December 2015***

Customer	Background and principal business nature	Approximate years of relationship	Key services provided by our Group	Transaction amount (HK\$ million)	% of our revenue	Credit terms	Payment method
Customer C <sup>(Note 1)</sup>	Operator of casino gaming and entertainment resort facilities	8	Technical sales and distribution	30.5	63.2	30 days	Bank transfer
Customer D <sup>(Note 2)</sup>	Operator of casino gaming and entertainment resort facilities	11	Technical sales and distribution	4.6	9.6	60 days	Bank transfer
Customer E <sup>(Note 3)</sup>	Operator of casino gaming and entertainment resort facilities	9	Technical sales and distribution	3.5	7.3	30 days	Bank transfer
Sega Sammy <sup>(Note 4)</sup>	Manufacturer of Electronic Gaming Equipment	2	Consulting services	3.5	7.3	15 days	Bank transfer
SJM	Operator of casino gaming and entertainment resort facilities	11	Technical sales and distribution	2.2	4.6	30-75 days	Bank transfer

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### *For the year ended 31 December 2016*

Customer	Background and principal business nature	Approximate years of relationship	Key services provided by our Group	Transaction amount (HK\$ million)	% of our revenue	Credit terms	Payment method
Customer F <sup>(Note 5)</sup>	Operator of casino gaming and entertainment resort facilities	9	Technical sales and distribution	12.6	24.1	30 days	Bank transfer
SJM <sup>(Note 6)</sup>	Operator of casino gaming and entertainment resort facilities	11	Technical sales and distribution	11.5	21.8	30 days	Bank transfer
Customer G <sup>(Note 7)</sup>	Operator of casino gaming and entertainment resort facilities	4	Technical sales and distribution	10.9	20.7	30 days	Bank transfer
Customer D <sup>(Note 2)</sup>	Operator of casino gaming and entertainment resort facilities	11	Technical sales and distribution	7.1	13.5	60 days	Bank transfer
Sega Sammy <sup>(Note 4)</sup>	Manufacturer of Electronic Gaming Equipment	2	Consulting services	4.2	8.1	15 days	Bank transfer

### *For the four months ended 30 April 2017*

Customer	Background and principal business nature	Approximate years of relationship	Key services provided by our Group	Transaction amount (HK\$ million)	% of our revenue	Credit terms	Payment method
Customer G <sup>(Note 7)</sup>	Operator of casino gaming and entertainment resort facilities	4	Technical sales and distribution	9.0	44.5	30 days	Bank transfer
Customer F <sup>(Note 5)</sup>	Operator of casino gaming and entertainment resort facilities	9	Technical sales and distribution	3.2	15.9	30 days	Bank transfer
SJM <sup>(Note 6)</sup>	Operator of casino gaming and entertainment resort facilities	11	Technical sales and distribution	2.4	11.9	30 days	Bank transfer

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Customer	Background and principal business nature	Approximate years of relationship	Key services provided by our Group	Transaction amount (HK\$ million)	% of our revenue	Credit terms	Payment method
Customer B <sup>(Note 8)</sup>	Manufacturer of casino system	1	Consulting services	1.5	7.4	0 days	Bank transfer
Sega Sammy <sup>(Note 4)</sup>	Manufacturer of Electronic Gaming Equipment	2	Consulting services	1.2	5.9	15 days	Bank transfer

*Notes:*

- Customer C is a company incorporated in Macau and one of the six Macau's licensed gaming concessionaires. It is a subsidiary of a company listed on the Main Board of the Stock Exchange which primarily develops and operates hotels, gaming and integrated resort facilities in Macau.
- Customer D is a company incorporated in Macau and one of the six Macau's licensed gaming concessionaires. It is a subsidiary of a company listed on the Main Board of the Stock Exchange which is principally engaged in gaming, leisure and entertainment and property investments.
- Customer E is a company incorporated in Macau and one of the six Macau's licensed gaming concessionaires. It is a subsidiary of a company listed on the Main Board of the Stock Exchange which is principally engaged in the operation of casino games of chance and other casino games and the related hotel and resort facilities, and the development of integrated resorts in Macau.
- Sega Sammy is a branch registered with the Macau Commercial Registry with headquarters in Japan and a manufacturer of Electronic Gaming Equipment. It is principally engaged in development, manufacturing and selling of Electronic Gaming Equipment.
- Customer F is a company incorporated in Macau and one of the six Macau's licensed gaming concessionaires. It is a subsidiary of a company listed on the Main Board of the Stock Exchange which is principally engaged in the operation of casino games of chance or games of other forms and the development and operation of integrated resorts and other ancillary services in Macau. Its ultimate parent company is incorporated in the U.S.
- SJM is a company incorporated in Macau and one of the six Macau's licensed gaming concessionaires. It is a subsidiary of a company listed on the Main Board of the Stock Exchange which is principally engaged in development and operation of casinos and related facilities in Macau.
- Customer G is a company incorporated in Macau and one of the six Macau's licensed gaming concessionaires. It is a subsidiary of a company listed on the Main Board of the Stock Exchange which owns and operates hotel and casino resorts in Macau. Its ultimate parent company is a publicly-traded company incorporated in the U.S.
- For description of Customer B, please refer to note 2 under the paragraph headed "Our business – Consulting and technical services – 1. Consulting services to manufacturers" in this section above.

The years of business relationship with our top five customers during the Track Record Period as mentioned above were consecutive. Even though Customer B, Customer C, Customer D, Customer E, Customer F and Customer G are not our top five customers in every relevant period during the Track Record Period, each of them as well as SJM and Sega Sammy purchased products and/or services from us every year during the Track Record Period. During the Track Record Period, each of Customer C, Customer E, Customer F and SJM made five or more orders for purchasing Electronic Gaming Equipment from us.

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We believe that our customers normally replace their inventory of Electronic Gaming Equipment with new ones every two to five years. The product life cycle of Electronic Gaming Equipment creates continuous demand for replacement of Electronic Gaming Equipment and maintains and/or increases our sales of Electronic Gaming Equipment to casino operators. In addition, with the potential growth of the ETG and EGM distributorship market (with a CAGR of approximately 18.9% between 2016 and 2020) and the expected establishment of new casinos and renovation of existing casinos in Macau, such as Casino Jai Alai, MGM Cotai and Lisboa Palace as stated in the CIC Report, it is expected that there will be an increasing demand for Electronic Gaming Equipment in the coming years. In light of the aforesaid, our Directors believe that the product life cycle of Electronic Gaming Equipment will not have any adverse impact on the financial results of the Group.

### **BUSINESS ACTIVITIES INVOLVING CUSTOMERS LOCATED IN SANCTIONED COUNTRIES, SPECIFICALLY SERBIA**

The United States and other jurisdictions or organisations, including the EU, the United Nations and Australia, have comprehensive or broad economic sanctions targeting the Sanctioned Countries. In addition, there are sanctions that target specific Sanctioned Persons independently of their location. During the Track Record Period, we generated a small portion of our total revenue from provision of technical services to two customers located in Serbia (“**Serbian Customers**”), which is a Sanctioned Country. The Serbian Customers are manufacturers of Electronic Gaming Equipment and their products are used by certain casino operators in Macau. The technical services provided by us include maintenance, repair, replacement, technical support and related services with respect to their products which are in use in Macau. The services were not provided in Serbia. All of the services were provided in Macau. For the two years ended 31 December 2016 and the four months ended 30 April 2017, we derived approximately 0.7%, 0.4% and nil of our total revenue from the Serbian Customers.

As advised by Nixon Peabody LLP, our legal adviser as to International Sanctions laws relating to Serbia, (i) the Serbian Customers to whom these services were provided are/were not specifically identified on the Specially Designated Nationals and Blocked Persons List maintained by OFAC or other restricted parties lists maintained by the United States, the EU, the United Nations or Australia (collectively, the “**Prohibited Persons Lists**”) during the Track Record Period and as at the Latest Practicable Date; and (ii) such provision of services to the Serbian Customers is/was not deemed to be a prohibited activity under, and does/did not result in a violation of the United States, United Nations, EU, or Australia sanctions laws relating to Serbia during the Track Record Period and as at the Latest Practicable Date, because (a) during the Track Record Period and as at the Latest Practicable Date, the sanctions restrictions relating to Serbia no longer prohibited activities in the territory of Serbia or with Serbian entities or individuals *per se*, but only certain activities relating to defense articles or defense services (“**Certain Defense Activities**”), and activities with Serbian entities or individuals (including their property or interests in property) on one or more Prohibited Persons List(s), or owned 50% or more, directly or indirectly, collectively or individually by one or more entities or individuals on certain Prohibited Persons Lists; and (b) the technical services provided by our Group do not fall into Certain Defense Activities.

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In providing their advice, Nixon Peabody LLP has:

- (a) examined online screening reports from a third party screening provider, relating to the restricted persons screening of the Serbian Customers and their owners and general manager against the Prohibited Persons Lists, and confirming that none of these counterparties are listed on the Prohibited Persons Lists during the Track Record Period and as at the Latest Practicable Date;
- (b) reviewed the two technical services agreements provided by us that evidence our transactions with the Serbian Customers during the Track Record Period (the “**Technical Services Agreements**”), as well as our Group structure chart, our responses to a sanctions questionnaire and the responses provided by each Serbian Customer in an ownership questionnaire;
- (c) received written confirmation from us that during the Track Record Period other than with respect to the services provided by us to the Serbian Customers under the Technical Services Agreements, (i) neither we, nor our Group or any of our affiliates (including any representative office, branch, subsidiary or other entity which forms part of our Group) (collectively, our “**Affiliates**”) conducted any business dealing with any individual, entity, or governmental body located in Serbia; with any Serbian-owned entity; with any Serbian national; or in, or related to, Serbia, (ii) there are no other agreements, contracts, purchase orders, or other contractual documents relating to us or our Group, and activities in Serbia or involving Serbian nationals, entities, or governmental bodies, (iii) to our knowledge, no individual, entity, or governmental body in Serbia, apart from the Serbian Customers, benefits from, or otherwise takes advantage of, the services or any other aspect of the Technical Services Agreements, (iv) neither we, nor our Group or any of our Affiliates has any plans to conduct business activities in Serbia or with Serbian individuals, entities, or governmental bodies, (v) no claims have been asserted by Serbian individuals, entities, or governmental bodies against us, our Group or any of our Affiliates, and (vi) neither we, nor our Group or any of our Affiliates is, or has been, incorporated, constituted, or otherwise formed under U.S., EU, or Australian laws, and we do not have, and have not had, owners, officers, directors, or employees with U.S., EU, or Australian citizenship.

As advised by Nixon Peabody LLP, our legal adviser as to International Sanctions laws relating to Serbia, the provision of technical services to the Serbian Customers during the Track Record Period does not implicate relevant International Sanctions laws relating to Serbia on our Group or any parties in the Share Offer as of the Listing Date, including the Stock Exchange, the HKSCC, the HKSCC Nominees as well as the Group’s shareholders and potential investors.

As noted above, Nixon Peabody LLP’s review was limited to the International Sanctions laws relating to Serbia.

Our Directors confirm that up to the Latest Practicable Date, we had not been notified by any governmental authority that any sanctions would be imposed on us in relation to our services provided to the Serbian Customers during the Track Record Period. Our Directors

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have undertaken with the Stock Exchange that (i) we will not enter into prohibited activities under the relevant sanctions laws and regulations that would expose our Group, or any person or entity, including our Group's investors, our Shareholders, the Stock Exchange, HKSCC or HKSCC nominees (collectively, the "**Relevant Persons**") to risk of being sanctioned; (ii) we will not apply, directly or indirectly, the proceeds from the Share Offer or any other funds raised through the Stock Exchange to finance or facilitate any projects or businesses with sanctioned entities/persons and entities/persons in countries where country-wide sanctions have been imposed; and (iii) we will make timely disclosure on the Stock Exchange's website and our own website if we believe our business would put Relevant Persons or ourselves at risk of being sanctioned and in our annual reports or interim reports our efforts on monitoring our business exposure to sanctions risks and our business intention relating to the Sanctioned Countries. If we breach any of these undertakings to the Stock Exchange after the Listing, it is possible that the Stock Exchange may delist our Shares.

Going forward, we intend to continue to provide services to the Serbian Customers. In assessing whether to continue our existing and ongoing business and whether to embark on new business opportunities connected with Sanctioned Countries, we will take into account (i) whether the relevant business activities involve any industries or sectors that are subject to any International Sanctions; (ii) whether the counterparties to the relevant transactions have become subject to any International Sanctions; (iii) the size and value of the business activities as a percentage of our total revenue; and (iv) the potential risk to us of continuing such activities.

To monitor our exposure to sanction risks and to ensure compliance with the undertakings to the Stock Exchange, we have adopted the internal control measures as described below:

- our Directors have overall responsibility to monitor our Group's exposure to sanctions law risks and our Group's implementation of the related internal control procedures and reporting to our Board. The day-to-day responsibility for enforcement of this policy has been delegated to our Directors. All suspected non-compliance issues shall be reported to and approved by our Directors before it is executed;
- the initial identification of high-risk customers for the purposes of Sanctioned Countries shall be performed for all new customers by our assistant general manager, including obtaining and reviewing their information such as identity, nature of business, and other customer information);
- our assistant general manager is also responsible for updating the database of sanctioned countries and performing reviews on existing customers at least once a year to ensure our compliance with sanctions law;
- our assistant general manager is responsible for monitoring the latest updates released by OFAC and updating the Sanctioned Countries register accordingly. The updated Sanctioned Countries register shall be communicated to all staff of our Group;
- our Directors shall sign-off the evaluation form for new and existing customers as evidence of the risk assessment procedures;

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- in evaluating whether to continue the business and whether to embark on new business opportunities in the Sanctioned Countries and / or with any party included on the Sanctioned Countries list, the following factors shall be taken into account: (i) whether the relevant business activities involve any industries or sectors that are subject to any applicable sanctions; (ii) whether the counterparties to the relevant transactions have become subject to economic sanctions; (iii) the size and value of the business activities as a percentage of total revenue; and (iv) the potential risk of continuing such activities;
- if it is discovered that a service, customer, supplier or a transaction is validly blocked or rejected under the various sanctions programs, our assistant general manager shall report the fact to our Directors, and communicate to our Board if necessary seeking for further actions. The evaluation form shall be finished no later than one week on initiation of new customers and existing customer;
- no sales contracts shall be concluded by any personnel of our Group unless the signed evaluation form from our Directors (or in extreme case, the internal control committee) is obtained;
- no funds shall be transferred from customers or to suppliers that are on the Sanctioned Countries lists unless otherwise approved by our Board;
- a separate bank account will be maintained for the deposit of proceeds from the Share Offer separate from other funds of our Group, and for deployment of the proceeds;
- as and when our Directors consider necessary, our Group shall retain an external international legal counsel with the necessary expertise and experience in sanctions law matters for recommendations and advices.

Taking into consideration the internal control measures set out above, our Directors and the Sole Sponsor are of the view that these measures will provide a reasonably adequate and effective framework to assist us in identifying and monitoring any material risk relating to sanctions laws so as to protect the interests of the Stock Exchange, HKSCC, HKSCC Nominees, our Shareholders, potential investors and us.

### SALES AND MARKETING

We have a sales and marketing team responsible for sales and marketing activities. As at the Latest Practicable Date, our sales and marketing team being led by Mr. Ng comprised six employees.

We consider maintaining business relationships with our customers and potential customers in the gaming industry an important factor to the success of our business. Our senior management and our sales and marketing team maintain regular contacts with casino operators

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in Macau by conducting regular on-site visits to understand and identify customers' needs. We increase our exposure and broaden our network through participating trade shows both in Macau and overseas. This also allows us to keep abreast of the development of Electronic Gaming Equipment and the latest market information. Since 2014, we have participated as an exhibitor in the annual MGS Entertainment Show, a trade event operated by the Macau Gaming Equipment Manufacturers Association which showcased innovative product launches and technological developments in the gaming industry and created a platform for business networking among industry players. We also place advertisements in trade magazines to increase our exposure and market awareness of our Group.

### OUR SUPPLIERS

We have established strong relationships with a wide range of Electronic Gaming Equipment manufacturers which we believe have strong reputation for product quality and reliability, including some major gaming technology manufacturers in the gaming machine manufacturing industry, such as Alphabet, Konami and Spintec. Our suppliers for Electronic Gaming Equipment and its spare parts include suppliers in Slovenia, Australia, Taiwan and Macau. Please refer to the paragraph headed "Our business – Technical sales and distribution – 1. Electronic Gaming Equipment – Brand selection" in this section above for our approach for selection of our suppliers.

While we have stable relationship with our major suppliers, with business relationship ranging from two to eight years, we also seek new suppliers with potential to introduce innovative products for casino operators in Macau. During the Track Record Period, we did not have any material disputes with our suppliers and have not experienced any significant delay in delivery of equipment or spare parts by our suppliers which caused disruption to our business. Among our major suppliers during the Track Record Period, Konami, Alphabet, Jumbo and Supplier B are approved by DICJ as gaming machine suppliers. Our pricing terms and margins for products provided by suppliers approved by DICJ are no different from those products provided by suppliers not approved by DICJ as we have to assist our suppliers to obtain DICJ's approval of the products irrespective of whether or not the suppliers are approved by DICJ as gaming machines suppliers.

Set out below are the major terms of the latest exclusive distribution agreements with our existing major suppliers of Electronic Gaming Equipment during the Track Record Period:

	Spintec	Alphabet	Konami	Customer A (Note 1)	Supplier B (Note 2)
Term:	36 months from March 2017	5 years from January 2015	30 months from 1 March 2015. The parties have agreed to extend the term of agreement for a period of twelve months with effective from 1 October 2017 and ending on 30 September 2018.	24 months from 18 December 2015	12 months from 8 July 2016. The parties have agreed to extend the term of the agreement for a period of twelve months with effective from 8 July 2017 and ending on 8 July 2018.
Geographic coverage:	Macau	Macau	Macau	Macau	Macau
Products:	The type and model of products of Spintec as specified under the agreement	Electronic gaming machines of Alphabet	Electronic gaming machines of Konami	The type of products of Customer A as specified under the agreement	The type of products of Supplier B as specified under the agreement
Payment term:	<i>Products not subject to trial</i>  For sale of less than 40 units, 50% of the total purchase price as deposit to be paid within 15 days of written notification issued by Spintec of its acceptance of our purchase order and the remaining balance to be paid within 60 days from the products' arrival in Macau.	50% of total purchase price as down payment upon confirmation of purchase order and the remaining balance to be settled within 30 days after shipment of products (Note 3).	60 days from the date the products are live on the casino floor	<i>Products not subject to trial</i>  50% of the purchase price as down payment upon placing of order and the remaining balance to be paid within 30 days after payment has been collected with the Company's customer.	<i>Products not subject to trial</i>  30% of the purchase price as down payment upon confirmation of order and the remaining balance to be paid within 60 days from the date the product is live on the casino floor.

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Spintec	Alphabet	Konami	Customer A (Note 1)	Supplier B (Note 2)
<p>For sale of 40 units or more, 35% of the total purchase price as deposit to be paid within 15 days of written notification issued by Spintec of its acceptance of our purchase order and the remaining balance to be paid within 60 days from the products' arrival in Macau.</p> <p><i>Products subject to trial</i></p> <p>50% of the total purchase price to be paid within 15 days of written notification issued by Spintec of its acceptance of our purchase order for trial products. If the products have not passed trial and the customer decides not to purchase the products, such deposit is refundable within 15 days after return of the trial products to Spintec. The remaining balance shall be paid within 60 days from receipt of a trial pass confirmation from the casino operator.</p>	<p>The agreement does not stipulate any sales target</p>	<p>October 2015 – March 2016: 0 unit            April 2016 – March 2017: 150 units            April 2017 – March 2018: 200 units</p> <p>Provided that Konami shall ensure that a minimum of eight new game titles are offered to us per fiscal year during the term and Konami shall also ensure that a minimum of one new premium games are released per fiscal year during the term.</p>	<p><i>Products subject to trial</i></p> <p>Full amount shall be paid within 35 days after trial succeed.</p>	<p><i>Products subject to trial</i></p> <p>Full amount shall be paid within 60 days after trial succeed and/or the casino operator decides to purchase the product.</p>
<p>Sales target: We shall use our best endeavours to purchase products totaling at least EUR1,500,000 in 2017, EUR1,700,000 in 2018 and EUR1,900,000 in 2019</p>	<p>The agreement does not stipulate any sales target</p>	<p>October 2015 – March 2016: 0 unit            April 2016 – March 2017: 150 units            April 2017 – March 2018: 200 units</p> <p>Provided that Konami shall ensure that a minimum of eight new game titles are offered to us per fiscal year during the term and Konami shall also ensure that a minimum of one new premium games are released per fiscal year during the term.</p>	<p>The agreement does not stipulate any sales target</p>	<p>At least two pieces of products during the 12 month period which commences from the day the required regulatory approval for the relevant product has been received.</p>

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	<b>Spintec</b>	<b>Alphabet</b>	<b>Konami</b>	<b>Customer A (Note 1)</b>	<b>Supplier B (Note 2)</b>
Warranty:	12 months commencing on the 90 <sup>th</sup> day after the deadline for collection of the products	6 months on hardware	12 months from the date the products are live on the casino floor	12 months from acknowledgment of satisfactory installation from the end user	12 months from acknowledgment of satisfactory installation from the end user
Termination:	Spintec shall be entitled to terminate the agreement upon given 30 days' prior written notice should we fail to achieve the sales target.	In case of any non-performance and/or violation of the terms and conditions under the agreement, the parties shall settle the matter as promptly and amicable as possible to mutual satisfaction of the parties. Unless settlement is reached within 90 days, the party notifying the other of the non-performance or violation is entitled to cancel the agreement.	Should we fail to achieve the sales target, the supplier shall be entitled, upon giving 90 days' prior written notice, to terminate the agreement.	Either party may terminate the agreement upon written notice if the other party breaches any material term of the agreement and fails to cure such breach within 30 days after receiving written notice stating the nature of the breach.	Either party may terminate the agreement for any reason by giving the other party a 90 day written notice.
	Either party may terminate the agreement immediately by written notice if (i) the relevant regulatory approval has been withdrawn, suspended or cancelled; (ii) the other party is insolvent or enters into compulsory or voluntary liquidation; or (iii) any act or thing occurs that is reasonably considered to have put the party's regulatory approval at risk.		Either party may terminate the agreement immediately by written notice if (i) the relevant regulatory approval has been withdrawn, suspended or cancelled; (ii) the other party is insolvent or enters into compulsory liquidation; or (iii) any act or thing occurs that is reasonably considered to have put the party's regulatory approval at risk.	Either party may terminate the agreement immediately if the other part become the subject of any voluntary or involuntary bankruptcy, receivership, or other insolvency proceedings, or become involved in illegal or criminal activities.	Either party shall have the right to terminate the agreement with immediate effect due to gross misconduct, material failure to perform its duties, conviction of a criminal offence or conduct of illegal operations, unless such cause is cured by the defaulting party immediately following the termination written notice.
	Either party may also terminate the agreement if the other party fails to observe any provision of the agreement and fails to remedy the breach within 15 days after written notice specifying the breach has been given to the party in breach.		Either party may also terminate the agreement if the other party fails to observe any provision of the agreement and fails to remedy the breach within 28 days after written notice specifying the breach has been given to the party in breach.		

*Notes:*

1. Customer A is a corporation incorporated in the United States and a manufacturer of Electronic Gaming Equipment.
2. Supplier B is a corporation incorporated in Slovenia and a manufacturer of Electronic Gaming Equipment.
3. Since July 2017, as requested by Alphabet, we have to make payment for deposits (range of 30%-50% of the total purchase price) for trial products provided by it.

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We have met the sales target under our exclusive distribution agreements (where required) during the Track Record Period.

### Top five suppliers

For the two years ended 31 December 2016 and the four months ended 30 April 2017, our five largest suppliers accounted for approximately 98.5%, 96.8% and 100.0%, respectively of our total purchases, while the largest supplier accounted for approximately 48.7%, 49.1% and 73.5%, respectively of our total purchases for the respective periods.

The table below sets out information of our top five suppliers for each of the periods indicated:

#### *For the year ended 31 December 2015*

Supplier	Background and principal business nature	Approximate years of relationship	Types of products purchased/ services provided	Transaction amount (HK\$ million)	% of our total purchases	Credit terms	Payment method
Alphabet <sup>(Note 1)</sup>	Manufacturer of Electronic Gaming Equipment	2	ETGs (as its exclusive distributor)	14.5	48.7	30 days	Bank transfer
Spintec	Manufacturer of Electronic Gaming Equipment	5	ETGs (as its exclusive distributor)	10.9	36.6	15-60 days	Bank transfer
Kuawai	Engages in provision of repair services for Electronic Gaming Equipment	5	Repair services and supply of spare parts	3.3	11.0	upon presentation of invoice or delivery	Bank transfer
Jumbo <sup>(Note 1)</sup>	Manufacturer of Electronic Gaming Equipment	8	Spare parts	0.5	1.5	30 days	Bank transfer
Supplier A <sup>(Note 2)</sup>	Manufacturer of EGMs	5	EGMs	0.2	0.6	30 days	Bank transfer

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### *For the year ended 31 December 2016*

Supplier	Background and principal business nature	Approximate years of relationship	Types of products purchased	Transaction amount (HK\$ million)	% of our total purchases	Credit terms	Payment method
Spintec	Manufacturer of Electronic Gaming Equipment	5	ETGs and EGMs (as its exclusive distributor)	12.0	49.1	15-60 days	Bank transfer
Alphabet	Manufacturer of Electronic Gaming Equipment	2	ETGs and EGMs (as its exclusive distributor)	7.7	31.5	30 days	Bank transfer
Kuawai	Engages in provision of repair services for Electronic Gaming Equipment	5	Repair services and supply of spare parts	2.6	10.5	0-30 days	Bank transfer
Konami	Manufacturer of Electronic Gaming Equipment	2	EGMs (as its exclusive distributor)	1.2	4.8	0-60 days	Bank transfer
Suzo-Happ Group	Supplier of gaming machine components	8	Spare parts	0.2	0.9	upon delivery	Bank transfer

### *For the four months ended 30 April 2017*

Supplier	Background and principal business nature	Approximate years of relationship	Types of products purchased	Transaction amount (HK\$ million)	% of our total purchases	Credit terms	Payment method
Alphabet	Manufacturer of Electronic Gaming Equipment	2	ETGs and EGMs (as its exclusive distributor)	7.4	73.5	30 days	Bank transfer
Spintec	Manufacturer of Electronic Gaming Equipment	5	ETGs and EGMs (as its exclusive distributor)	1.7	16.6	15-60 days	Bank transfer

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Supplier	Background and principal business nature	Approximate years of relationship	Types of products purchased	Transaction amount (HK\$ million)	% of our total purchases Credit terms	Payment method
Kuawai	Engages in provision of repair services for Electronic Gaming Equipment	5	Repair services and supply of spare parts	0.9	9.4 0-30 days	Bank transfer
Supplier C <sup>(Note 3)</sup>	Supplier of gaming machine components	1	Spare parts	0.03	0.3 upon delivery	Bank transfer
Konami	Manufacturer of Electronic Gaming Equipment	2	EGMs (as its exclusive distributor)	0.02	0.2 0-60 days	Bank transfer

*Notes:*

1. To the best knowledge of our Directors, Jumbo is an original equipment manufacturer of Alphabet.
2. Supplier A is a corporation incorporated in the United States and a manufacturer of EGMs.
3. Supplier C is a corporation incorporated in Hong Kong and a supplier of gaming machine components.

All of our five largest suppliers during the Track Record Period are Independent Third Parties. To the best of our Directors' knowledge, none of our Directors or their respective close associates or any person who, to the knowledge of our Directors, owns more than 5% of our issued share capital or of any of our subsidiaries, had any interest in any of our five largest suppliers during the Track Record Period.

### Supplier concentration

As set out above, for the two years ended 31 December 2016 and the four months ended 30 April 2017, the percentage of our total purchase attributable to our five largest suppliers consolidated amounted to approximately 98.5%, 96.8% and 100.0% respectively. The percentage of our total purchase attributable to our largest supplier amounted to approximately 48.7%, 49.1% and 73.5% respectively for the same periods. Our Directors consider that despite the above figures during the Track Record Period exhibit supplier concentration, our Group's business model is sustainable due to the following factors:

- (i) According to the CIC Report, the Macau electronic gaming market has high concentration of Electronic Gaming Equipment manufacturers and the top seven manufacturers have dominated the market with approximately 90.8% of the market share in terms of revenue in 2016.

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- (ii) We have exclusive distribution rights with five of our suppliers of Electronic Gaming Equipment. We have established five years of business relationship with Spintec, which is our second largest supplier for the year ended 31 December 2015 and the four months ended 30 April 2017, our largest supplier for the year ended 31 December 2016, accounting for approximately 48.7%, 49.1% and 73.5% respectively of our total purchase for the respective periods. Other than the exclusive distribution agreement with Spintec which was renewed in March 2017, the exclusive distribution agreements with the other four suppliers of Electronic Gaming Equipment were entered into in 2015 and 2016. We anticipate that we will be able to generate more revenue from the sales of Electronic Gaming Equipment manufactured by those suppliers in the future. Taking into account our ability to provide a wide range of customised integrated services, our deep knowledge on the regulatory requirements and customers' needs in the Macau gaming market, we believe our major suppliers and us are inter-dependent.
- (iii) As part of our future plans, we intend to expand our sales and marketing team. We believe that the additional workforce will enable us to have more resources to identify more manufacturers of Electronic Gaming Equipment. In addition, through payment of upfront refundable deposits, we believe that we will be able to attract more manufacturers to provide trial products which will help reduce concentration of supply from our major suppliers.

### **Major suppliers who are also our customers**

Jumbo is one of our top five suppliers for the year ended 31 December 2015 and also one of our customers in 2016. Jumbo is a manufacturer of Electronic Gaming Equipment and supplies spare parts to us and is also our customer for consulting services with respect to its new products. Given our ability to provide a full range of customised technical solutions for Electronic Gaming Equipment, manufacturers of Electronic Gaming Equipment, whether or not they supply their products through us, may seek consulting services from us.

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The following tables set out the revenue contribution from and gross profit of Jumbo and the cost of purchase of products/services from Jumbo during the Track Record Period:

	<b>For the year ended</b>		<b>For the four</b>
	<b>31 December</b>		<b>months ended</b>
	<b>2015</b>	<b>2016</b>	<b>30 April</b>
			<b>2017</b>
Revenue generated from Jumbo ( <i>HK\$'000</i> )	0	1,380	–
Percentage to total revenue	0%	2.6%	–
Gross profit ( <i>HK\$'000</i> ) <sup>(Note 1)</sup>	N/A	N/A	–

*Note:*

- As we are unable to allocate the cost for providing consulting services to a particular customer, the gross profit for Jumbo is not available.

	<b>For the year ended</b>		<b>For the four</b>
	<b>31 December</b>		<b>months ended</b>
	<b>2015</b>	<b>2016</b>	<b>30 April</b>
			<b>2017</b>
Cost of purchase of products/services from Jumbo ( <i>HK\$'000</i> )	455	38	–
Percentage to total cost of purchase	1.6%	0.1%	–

For the two years ended 31 December 2016 and the four months ended 30 April 2017, Kuawai is one of our top five suppliers and also one of our customers in 2016. Kuawai supplied spare parts and provided repair services of Electronic Gaming Equipment to us and purchased certain spare parts from us for its other customers. All those spare parts were sourced from a manufacturer with which we have existing business relationship upon Kuawai's request.

The following tables set out the revenue contribution from and gross profit of Kuawai and the cost of purchase of products/services from Kuawai during the Track Record Period:

	<b>For the year ended</b>		<b>For the four</b>
	<b>31 December</b>		<b>months ended</b>
	<b>2015</b>	<b>2016</b>	<b>30 April</b>
			<b>2017</b>
Revenue generated from Kuawai ( <i>HK\$'000</i> )	0	99	–
Percentage to total revenue	0	0.2%	–
Gross profit ( <i>HK\$'000</i> )	0	9	–

	<b>For the year ended</b>		<b>For the four</b>
	<b>31 December</b>		<b>months ended</b>
	<b>2015</b>	<b>2016</b>	<b>30 April</b>
			<b>2017</b>
Cost of purchase of products/services provided by Kuawai ( <i>HK\$'000</i> )	3,282	2,568	944
Percentage to total cost of purchase	11.5%	8.7%	8.7%

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### INVENTORY

We place orders with our suppliers upon confirmation of orders from our customers on a back-to-back basis and Electronic Gaming Equipment are usually delivered directly to the casinos after they reach Macau. This not only gives us the flexibility to sell the latest and innovative Electronic Gaming Equipment to our customers, it also minimises our risk exposure to obsolete stock. During the Track Record Period, we did not experience any shortage or material delay in the supply of Electronic Gaming Equipment by our suppliers.

We also keep a minimal level of spare parts of Electronic Gaming Equipment at our office which are commonly used for sales and maintenance. As at 31 December 2015, 31 December 2016 and 30 April 2017, our inventories only accounted for approximately 9.0%, 1.0% and 0.9%, respectively, of our total assets. As at 31 December 2015, out of the total amount of inventories of approximately HK\$2.8 million, approximately HK\$2.4 million represents goods in transit. Our spare parts turnover days were approximately 24, 84 and 170 days respectively for the two years ended 31 December 2016 and the four months ended 30 April 2017.

### EMPLOYEES

As at the Latest Practicable Date, we had 33 employees who were directly employed by our Group. A breakdown of our employees by function as at 1 January 2015, 31 December 2015, 31 December 2016, 30 April 2017 and the Latest Practicable Date is set out below:

	As at 1 January 2015	As at 31 December 2015	As at 31 December 2016	As at 30 April 2017	As at the Latest Practicable Date
Directors and senior management	5	5	5	5	5
Sales and marketing	2	2	3	5	6
Technical	4	6	9	8	10
Accounting and finance	3	6	6	6	6
Administration	5	9	6	6	6
Total	<u>19</u>	<u>28</u>	<u>29</u>	<u>30</u>	<u>33</u>

We believe that the relationship and co-operation between our management and employees have been good and are expected to remain amicable in the future. During the Track Record Period, there has not been any incident of strike or labour shortage or material labour dispute which adversely affected our operations.

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Our employees are important assets to our Group. We believe that continuous staff training and development is a key to preserve our valuable human resources.

We provide ongoing on-the-job training to our employees to enhance their performance and improve their technical expertise. Apart from internal training, Electronic Gaming Equipment manufacturers also provide external trainings to our employees covering topics such as the operation and features of their products. We believe that these trainings ensure that our employees are equipped with the necessary skills and knowledge to perform their duties. As at the Latest Practicable Date, nine of our employees have obtained the relevant identification cards from DICJ to carry out installation, maintenance and repair work of the Electronic Gaming Equipment in gaming areas of our customers.

The remuneration package we offer to our employees includes salary, discretionary bonuses and/or commission. We review the performance of our employees yearly in order to determine salary adjustments and promotion appraisals.

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, our Group had no material non-compliance with any applicable employment laws, rules and regulations in Macau.

### INTELLECTUAL PROPERTY

We market our business by using  as our brand name. We registered our trademark in Hong Kong and Macau. We are also the registered owner of the domain name *www.apemacau.com*. Detailed information of our intellectual property rights is set out in the paragraph headed “Further information about our business – 2. Intellectual property rights of our Group” in Appendix IV to this prospectus.

As at the Latest Practicable Date, we are not aware of any infringement (i) by our Group of any intellectual property rights owned by any third parties; or (ii) by any third party of any intellectual property rights owned by us. During the Track Record Period and up to the Latest Practicable Date, there had not been any pending or threatened material claims made against us, nor had there been any material claims made by us against third parties, with respect to the infringement of intellectual property rights owned by us or third parties.

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### PROPERTIES

We do not own any property and we lease all of the premises occupied by us. As at the Latest Practicable Date, we leased three properties and two car parks in Macau for the operation of our business. The following table sets out a summary of these leases:

Address	Use of the property	Landlord	Term of current lease	Approximate gross floor area	Monthly rental
Avenida da Amizade, n.º 1023, Nam Fong Building, 1st Floor “AA” and “Z”	Office	Tai Pong Fat	1 January 2017 to 31 December 2017	87.4 sq.m.	MOP14,100 (inclusive of utilities and exclusive of car parking space, government rent, rates, management fees, and other service charges)
Avenida da Amizade, n.º 1023, Nam Fong Building, S3 and T3	Office	Independent Third Party	13 March 2017 to 12 March 2018	94.1 sq.m.	HK\$18,000
Avenida da Amizade, n.ºs 985-1057-C and Rua De Xiamen n.ºs 2-18-J, Nam Fong Building, flat P3 and Q3	Office and technical workshop	Independent Third Parties	10 April 2017 to 9 April 2018	119 sq.m.	HK\$25,500
Avenida da Amizade, n.º 1023, Nam Fong Building, 2nd floor Car park no. 120	Car park	Independent Third Party	27 July 2017 to 26 July 2018	N/A	HK\$2,100
Avenida da Amizade, n.º 876, Marina Gardens, 2nd Floor Car park no. 224	Car park	Independent Third Party	1 January 2017 to 31 December 2017	N/A	MOP1,900

Our office located at Avenida da Amizade n.º 1023, Nam Fong Building, 1st Floor “AA” and “Z” is leased from Tai Pong Fat, a connected person of our Group. For further details of the lease of the above property, please refer to the section headed “Connected transaction” in this prospectus. Payments in respect of the above leases were approximately HK\$423,000, HK\$473,000 and HK\$205,000 for the two years ended 31 December 2016 and the four months ended 30 April 2017, respectively.

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Other than the machinery and equipment used for the installation, refurbishments, repair and maintenance of Electronic Gaming Equipment, the Group did not possess any other major assets and equipment in relation to our operations as at the Latest Practicable Date.

### MARKET AND COMPETITION

#### Background

According to the CIC Report, Macau's gaming machine market was highly concentrated, with the top seven participants accounting for an aggregate market share of approximately 90.8% in terms of sales revenue of Electronic Gaming Equipment in 2016. There were approximately 16 manufacturers selling ETGs in Macau in 2016. The ETG market in Macau was highly concentrated with the top three suppliers accounting for an aggregate market share of approximately 83.5% in terms of sales revenue in 2016. We were the largest ETG supplier in Macau in 2016, with an aggregate market share in terms of sales revenue of approximately 30.4%.

The entry barrier of Macau's Electronic Gaming Equipment market is relatively high, due to strict industry standards, high technical requirements and strong business relationship between existing providers and casino operators in Macau. The gaming industry in Macau is highly concentrated with only six licensed gaming concessionaires operating all the casinos in Macau. Casino operators select Electronic Gaming Equipment providers based on their reputation, business relationship, price, quality, and other aspects. With no established brand or distribution network, new entrants are expected to spend considerable time and capital if they are to establish business relationship with major casino operators in Macau. Our Directors consider that such market barriers will hinder the entrance of new manufacturers and distributors in the gaming machine market.

#### Our distributorship business model

For any distributor, the risk of its suppliers entering the market and selling their products by direct sales is an inherent risk of its distributorship business model. Please refer to the paragraph headed "Risk factors – Risks relating to our Group and our business – Suppliers may enter the market and sell Electronic Gaming Equipment by direct sales" in this prospectus for further details.

However, we are of the view that such risk does not have a material impact on our Group's sustainability due to the following reasons:

- (A) it is unlikely for our major suppliers to switch from distributorship sales model to direct sales model in the foreseeable future because (i) our major suppliers are dependent on us; (ii) we have strong and stable relationship with our major suppliers; (iii) each new product of EGM and ETG is unique; and (iv) our supplier may prefer a distributorship sales model; and
- (B) we will continue to identify potential manufacturers to cooperate with.

*(A) It is unlikely for our major suppliers to switch to direct sales model*

*(i) Our major suppliers are dependent on us*

We believe that our major suppliers are dependent on us due to (a) our ability to provide technical support and maintenance services to casino operators; and (b) the hurdles for them to enter into the direct sales market as a result of local regulations and high initial set up and operating costs.

- *Our ability to provide technical support and maintenance services*

We believe that the ability of a supplier to provide after sales services including the provision of technical support and maintenance services is a fundamental consideration to casino operators before purchasing an Electronic Gaming Equipment.

We are able to provide technical support and maintenance services to casino operators including via an emergency hotline which operates 24 hours a day and seven days a week. As at the Latest Practicable Date, we had a team of 10 skilled technical staff with the capabilities to provide such services.

Currently, all of our top five suppliers of Electronic Gaming Equipment during the Track Record Period are based outside of Macau. None of them maintains an office in Macau or has the capability to provide technical support and maintenance services with respect to their products sold to casino operators in Macau.

According to the CIC report, shortage of professional labour force, including experienced technicians with the ability to provide Electronic Gaming Equipment repair services, remains one of the most serious obstacles in the Macau gaming industry. Even though our major suppliers may establish brand recognition by selling their products via our Group for a period of time, we foresee that they would still depend on us to provide technical support and maintenance services for their products.

In addition, our ability to provide technical support and maintenance services has allowed us to have first hand understanding of the need of casino operators. This has enabled us to maintain a strong relationship with them, which is important in assisting our major suppliers in generating future sales and hence will encourage suppliers to continue to sell their products through us.

- *Hurdles for entering into the direct sales market as a result of local regulations and high initial set up and operating costs*

*(a) Local regulations*

As confirmed by our Macau legal adviser, manufacturers of Electronic Gaming Equipment are not required to obtain approval from DICJ to become a supplier of gaming machine if they sell their products through a DICJ approved gaming machine agent.

However, if any manufacturer engages in direct sales of Electronic Gaming Equipment in Macau, it is expected to set up a local office in Macau and obtain approval from DICJ to become a supplier of gaming machine. It is also required to apply for approval from DICJ for introduction of a new product or if there is a change to a product which has been approved. In order to obtain such approvals, the manufacturer need to have strong local knowledge of the regulatory requirements in Macau.

To obtain DICJ's approval to become an approved gaming machine supplier, based on the Macau legal adviser's verbal enquiry with DICJ, it takes around two to three months from the date of submission of all the required documents to DICJ. Based on our experience, the entire process of our application, (including also the time for preparation of documents to be submitted to DICJ) took around nine months. Moreover, the Macau Government requires a deposit of MOP100,000 together with the application.

In addition to the above, based on our experience and our Macau legal adviser's verbal enquiry with DICJ, the approval of a new product or a change to an approved product generally takes between two to three months from the date of submission of all the relevant documentation to DICJ.

As all of our major suppliers are based outside of Macau, it is more difficult and time consuming for them to build-up knowhow on local regulations and requirements, or maintain an effective communication channel with DICJ. By appointing us as their distributor, our major suppliers are able to sell their products to casino operators in Macau without incurring additional time and costs to obtain the various approval from DICJ.

*(b) Initial set up and operating costs*

Based on our Directors' best estimate, it generally takes around a total of 18 to 24 months for a manufacturer to set up an office in Macau, obtain approval from DICJ to become a supplier of gaming machine in Macau, obtain approval for sale of a new product, negotiate and solicit order from a casino operator, arrange delivery and installation of product, and complete product trial before securing order for sale of a new product.

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In addition, considerable time is required to be invested to build up a strong sales network to ensure recurring sales. We have been conducting technical sales and distribution of Electronic Gaming Equipment since 2006. It took eight years for us to conduct sales with all six casino operators in Macau. We have used over ten years to build up strong business relationship with all casino operators in Macau and achieve our current business scale with recurring sales of Electronic Gaming Equipment. For overseas manufacturers such as our major suppliers with headquarters in Slovenia, Taiwan and Japan respectively, such process is expected to take longer due to the cultural differences and language barriers between them and Macau casino operators.

Based on our Directors' best estimate having considered our annual operating expenses of approximately HK\$8.4 million in 2016, we expect that a local supplier is required to invest at least HK\$15 million as the initial set up costs and operating expenses for a period of 18 months before the successful sale of a new product to a casino operator. For overseas manufacturers such as our major suppliers with headquarters in Slovenia, Taiwan and Japan respectively, the costs for initial set up and operating expenses are expected to be higher having taken into account the marketing difficulties due to cultural differences, and higher labour costs for expatriate personnel to oversee the operation and staff to bridge cultural differences and language barriers between the overseas manufacturers and Macau casino operators as well as DICJ. It may take longer than 8 years to establish a comparable scale of sales network and business establishment in Macau as mentioned above.

According to the CIC Report, each of the top seven Electronic Gaming Equipment suppliers, other than our Group, had an annual machine gaming sales revenue ranging from approximately USD4.3 million to USD26.6 million (equivalent to approximately HK\$33.3 million to HK\$206.2 million) in 2016 and their gross profit margin ranged from approximately 35% to 50% in 2016. We are of the view that it is commercially justifiable for those top seven suppliers (other than us) to adopt a direct sales model considering their annual gross profit. In addition, those top seven suppliers (other than our Group) have headquarters in U.S., U.K. or Australia, which may experience less difficulty with respect to cultural differences with the Macau casino operators since some of them are based in U.S.

Given the high estimated initial set up and operating costs for a direct sales model, it may not be financially justifiable or would be risky for our major suppliers, which are manufacturers with lower annual sales amount and gross profit compared to the top seven Electronic Gaming Equipment suppliers (other than our Group), and have headquarters in Slovenia, Taiwan and Japan respectively to adopt a direct sales model.

On the other hand, we, as a gaming machine agent, are able to offer our customers with a diversified range of products manufactured by different manufacturers, and are able to spread out our costs to various products and achieve economies of scale. We can also share the costs of providing trial products by providing deposits to manufacturers. Furthermore, due to our deep local knowledge of the market preference on Electronic Gaming Equipment, we believe that we are able to minimise the duration of the trial period and enhance the likelihood of successful sale of a trial product. We believe that manufacturers/suppliers without an establishment in Macau are able to reduce time and costs by selling their products through us.

Furthermore, some casino operators in Macau only make direct purchase from manufacturers with well-established local office which can offer technical support and maintenance services or from distributors like us as we can provide a full range of services from obtaining regulatory approval, installation to repair and maintenance of an Electronic Gaming Equipment.

According to the CIC Report, generally, it is more cost effective not to run a local office in Macau for small-scale gaming machine manufacturers. They always rely heavily on gaming machine distributors in the whole process from obtaining product regulatory approval, amending product features, installation to after sales technical support. As such, CIC is of the view that smaller scale Electronic Gaming Equipment manufacturers will continue to sell their products via distributorship at least over the next five years. The ability to take advantage of the economies of scale and the professional and localised services provided by gaming machine distributors are expected to support gaming machine manufacturers to sell their products through distributors in Macau in the next five years. Gaming machine distributors in Macau provide localised services to manufacturers, effectively helping their products meet Macau regulations and become more popular among local players. Such professional services provided by gaming machine distributors in Macau are expected to solidify the cooperation between gaming machine distributors and manufacturers. As for gaming machine manufacturers, distributorship sales model accelerates their market access progress and reduces their local operation cost, such as labour cost and office rentals.

***(ii) Strong and stable relationship with our major suppliers***

We have entered into exclusive distribution agreements with our top two suppliers, Alphabet and Spintec, which accounted for an aggregate of approximately 85.3% and 80.6% of the Group's total purchases for each of 2015 and 2016. The exclusive distribution agreement with Spintec covers a term of 36 months from March 2017 while the exclusive distribution agreement with Alphabet covers a term of five years from January 2015.

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Although the products of Spintec and Alphabet have been commonly used in casinos in Macau and have established market acceptance, they have renewed their respective distribution agreements with us in and continued to appoint us as their exclusive distributor since 2012 and 2015 respectively.

Our Directors confirm that to their best knowledge, none of our top five suppliers of Electronic Gaming Equipment (covering both EGM and ETG) during the Track Record Period has switched from distributorship sales model to direct sales model in Macau.

***(iii) Each new product of EGM and ETG is unique***

Pursuant to the Regulation, each product of EGM or ETG shall be approved by DICJ before being supplied in Macau. Therefore, each new product will need to go through DICJ approval process, which is assessed according to the specifications of each product. In addition, in accordance with the industry norm, each new product will undergo a trial period before sale of such product is confirmed by a casino operator. Leveraging on our strong relationship with casino operators, our suppliers will be able to gain instant access to and sales channels with all casino operators in Macau efficiently. We believe that our deep local knowledge of the regulatory requirements and close contact with casino operators enable us to understand market needs and obtain feedback on the products, hence increasing the likelihood of successful sale of trial products.

Since the average product life cycle for an Electronic Gaming Equipment is around two to five years, it is essential for a manufacturer to continue to launch new products in order to keep up to date with the market. Due to the uniqueness of each product, our knowledge on the requirements for DICJ approval for each product and our strong relationship with casino operators as mentioned above, we believe that our suppliers rely on us to launch new products and we can assist our suppliers in obtaining the requisite DICJ approval when they seek to introduce new products or modify existing products.

***(iv) Our suppliers' preference of distribution sales model***

We believe that some manufacturers may prefer to adopt a distributorship sales model. Our two largest suppliers during the Track Record Period, namely Spintec and Alphabet, both adopt a distributorship sales model not only in Macau, but also in other place where their products are sold. Spintec has distributors in Europe, Asia and Oceania, Caribbean and Latin America, with over 90% of the sales of its products made through distributors worldwide, while Alphabet has distributors in Taiwan, the Philippines and Korea, with all the sales of its products made through distributors. None of Spintec or Alphabet has established an office in Macau and we believe that they will continue to adopt a distributorship sales model in the foreseeable future.

In addition, according to our Directors' understanding of the gaming machine market, some manufacturers which engage in direct sales may switch to selling products through distributors. For example, Konami, one of our Group's major suppliers for the

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year ended 31 December 2016, engaged in direct sales in Macau market before appointing us as its exclusive distributor even though it is a well-known brand with strong financial resources. In 2016, we sold 10 seats of EGM manufactured by Konami, accounting for approximately 0.4% of Macau's EGM market in terms of sales volume. We believe that Konami switched from direct sales model to distributorship model and appointed us as its exclusive distributor because it considers that it is more cost effective not to run a local office in Macau and Konami relies heavily on us in the whole process from obtaining product regulatory approval, amending product features, installation to after sales technical support. According to the CIC Report, CIC is not aware of any Electronic Gaming Equipment suppliers changing from a distributorship model to a direct sales model in the Macau market during the Track Record Period. As such, the Directors are of the view that the sustainability of our Group's business will not be affected.

***(B) Our Group will continue to identify potential manufacturers to cooperate with***

As disclosed in the paragraph headed "Business – Sales and marketing" in this prospectus, we have been conscious in conducting regular on-site visits to monitor our customers' needs. We also keep abreast of the latest trend and development of Electronic Gaming Equipment and identify potential suppliers through participating in trade shows both in Macau and overseas. As at the Latest Practicable Date, we have identified over ten potential Electronic Gaming Equipment manufacturers and are in discussion with four of them with a view to further broadening our product offering. Therefore, we believe that we will be able to identify other suppliers to cooperate with.

We believe that with our experience, proven track record of distribution of EGMs and ETGs, ability to provide technical support and maintenance services and strong relationship with casino operators, we will be able to replicate our success in distribution of EGMs and ETGs for potential suppliers.

Based on the CIC Report, the market in Macau has not exhibited a growing trend for manufacturers to directly sell their products to casino operators rather than through distributors. According to the CIC Report,

- (i) the market size of the Electronic Gaming Equipment distributorship market has increased at a CAGR of approximately 21.6% between 2010 to 2016, while the market size of the direct sales market has increased at a slower rate, with a CAGR of approximately 8.6% during the same period. Furthermore, the market size of the Electronic Gaming Equipment distributorship market is forecasted to continue to grow at a faster rate with a CAGR of approximately 18.9% from 2016 to 2020, while the direct sales market is expected to grow at a CAGR of approximately 12.5% for the same period; and
- (ii) the market size of the distributorship market is expected to increase from approximately 11.7% in 2016 to approximately 14.2% in 2020, while the market size of the direct sales market is expected to mark a corresponding decrease from approximately 88.3% in 2016 to approximately 85.8% in 2020.

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We believe that our business model to operate as a gaming machine agent with diversified product offerings, along with our strong local knowledge of the Electronic Gaming Equipment market in Macau, our ability to provide full range of customised and integrated services, our established track record and our strong relationship with casino operators in Macau, will allow us to continue to maintain close relationship with our existing suppliers as well as promote cooperation with other manufacturers.

For more details of the Macau gaming industry and the competition we face, please refer to the section headed “Industry overview” in this prospectus.

### **ENVIRONMENTAL, HEALTH AND WORK SAFETY MATTERS**

Our Directors believe that the impact of our operations as a gaming machine agent on the environment is minimal. During the Track Record Period, we were not subject to any major environmental claims, lawsuits, penalties or disciplinary actions.

We are committed to providing a safe working environment to our employees and we are required to comply with various safety laws and regulations in Macau. We will follow the work safety requirements of the casinos in Macau in relation to (i) the system of recording and handling accidents and implementation of the policies; and (ii) the occupational safety measures. Our Directors confirm that no material workplace accident had occurred during the Track Record Period.

### **INSURANCE**

We are based in Macau. We have maintained employees’ compensation and public liability insurance to cover compensation and costs liable by our Group for personal injuries of our employees in Macau in the course of employment with us and loss of or damage to property in connection with installation and maintenance of Electronic Gaming Equipment at the casinos of the six licensed gaming concessionaires in Macau. Our Directors consider that our Group’s insurance coverage is sufficient and in line with the general industry practice in Macau.

In addition, all Electronic Gaming Equipment installed by our Company are required to be and had been approved by DICJ before operation and none of the Electronic Gaming Equipment installed by our Group during the Track Record Period failed to comply with the requirements of DICJ. As such, our Company considers it not necessary for its insurance policy to cover liability that may arise from installing non-compliant Electronic Gaming Equipment.

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### LICENCES, PERMITS AND CERTIFICATES

We are approved by DICJ as a supplier of gaming machines, other related equipment and system for the operation of our business as a gaming machine agent. Details of the accreditation are as follows:

Name of operating licence, permit or certificate	Holder	Issuing authority	Date of grant	Validity Period
Accreditation as a supplier of gaming machines, other related equipment and system	APE Macau	DICJ	3 March 2017	Valid till 31 March 2018

The above approval by DICJ is subject to annual review and renewal. Our Group will make renewal submission to DICJ accordingly before its expiry date. We have not experienced any refusal of renewal of the above accreditation necessary for our operations during the Track Record Period and up to the Latest Practicable Date. The accreditation will be renewed unless DICJ deems, for any reason, that our Company's immediate shareholders (holding 5% of the share capital or more and except for public shareholders), directors and main employees are no longer fit and proper to carry out the business activities of our Company. Only the direct shareholders of the Company are subject to vetting. In addition, every six years from the date of issuance of the first licence, for its renewal, our Company, as well as our immediate shareholders (holding 5% of the share capital or more and except for public shareholders), directors and main employees will be required to submit the documents deemed necessary to ascertain whether or not they are fit and proper to carry out the business activities of our Company. Our Directors confirm that they are not aware of any circumstances that would significantly hinder or delay the renewal of the above accreditation.

### LITIGATION

During the Track Record Period and up to the Latest Practicable Date, there is no pending material litigation against or initiated by any member of our Group in Hong Kong, Macau or elsewhere and we had not received any threats on such litigation.

### REGULATORY COMPLIANCE

Our Directors confirmed that during the Track Record Period and up to the Latest Practicable Date, there was no non-compliance incident which is material impact non-compliance or systemic non-compliance. Our Directors also confirmed that during the Track Record Period and up to the Latest Practicable Date, our Group has obtained all the approvals, permits, consents, licences and registrations required for our business and operations and all of them are in force.

It is the opinion of our Macau legal adviser that the mode of operations as a gaming machine agent carried out by our Group in Macau is lawful and is in compliance with all applicable laws of Macau.

**INTERNAL CONTROL AND RISK MANAGEMENT**

We have in place policies and procedures in relation to internal control and risk management. Our Board is primarily responsible for overseeing our internal control and risk management system and for reviewing their effectiveness. Our internal control system and procedures are designed to meet our specific business needs and to minimise our risk exposure. We have adopted different internal guidelines, along with written policies and procedures to monitor and lessen the impact of risks which are relevant to our business and control our daily business operations.

In preparation for the Listing, our Company has engaged Baker Tilly to perform a detailed evaluation of our Group's internal control system including the areas of financial, operation, compliance and risk management with an aim to, among other matters, improve the Group's corporate governance and ensure compliance with the applicable laws and regulations. Based on its internal control review, Baker Tilly concluded that it did not note any material deficiency over our Group's internal control mechanism. However, in order to further improve our internal control system, Baker Tilly recommended us to undertake certain actions, including those designed to ensure ongoing compliance with relevant tax law in Macau. In accordance with the recommendations from Baker Tilly, our Group (i) will continue to assign our company accountant to prepare all tax computations to ensure the completeness and accuracy of tax filing process of each entity in our Group; and (ii) will continue to engage a Macau tax consultant to assist our management to review all the tax computations and filings in Macau regularly. Such Macau tax consultant will also provide professional advice and training to our management and accounting staff on compliance with Macau tax law on an ongoing basis and will notify our Group of any updates on the applicable laws and regulations regarding tax obligations in Macau. In addition, our management will review our Group's internal control policies and procedures in relation to tax compliance annually or upon being advised of any updates on the applicable laws and regulations regarding tax obligations in Macau.

In February 2017, Baker Tilly carried out a follow-up review on the implementation of its recommended actions. As at the Latest Practicable Date, we have substantially implemented such recommended actions and no further recommendation was raised as a result of the follow-up review.

During the Track Record Period, we have in place procedures for identifying, evaluating and managing risks faced by our Group in our daily operation. Our management will identify the risks associated with their day to day operations for review by our Board. Our Board shall be responsible for evaluating and determining the nature and extent of the risks that our Board is willing to take to achieve our strategic objectives, and for formulating policies to control or manage any significant risk.

**CORPORATE GOVERNANCE MEASURES**

We continuously strive to strengthen the role of our Board as a body responsible for decision making concerning our fundamental policies and management issues, and supervising the execution of our operation. Our Board includes three independent non-executive Directors to ensure transparency in management and fairness in business decisions and operations. The independent non-executive Directors contribute to the enhancement of corporate value by providing advice and oversight based on their extensive administrative experience and specialised knowledge.

We have established an audit committee which comprises three independent non-executive Directors to review and monitor the effectiveness of our financial controls, internal control and risk management systems. We intend to engage internal control consultant to review our internal control system on an annual basis to ensure that effective internal control procedures are in place.

## DIRECTORS AND SENIOR MANAGEMENT

### GENERAL

The following table sets forth information regarding our Directors and members of our senior management:

#### Executive Directors

Name	Age	Position	Role and responsibility	Date of appointment	Date of joining our Group	Relationship with other Director(s) and senior management
Mr. Huie, Allen Tat Yan (許達仁)	59	chairman, executive Director and compliance officer	strategic planning and financial supervision of our Group	appointed as Director on 22 February 2017; redesignated as executive Director on 15 March 2017	14 November 2005	N/A
Mr. Ng Man Ho Herman (吳民豪)	45	chief executive officer and executive Director	overall business and sales and marketing	appointed as Director on 22 February 2017; redesignated as executive Director on 15 March 2017	14 November 2005	N/A

#### Independent non-executive Directors

Name	Age	Position	Role and responsibility	Date of appointment	Date of joining our Group
Mr. Choi Kwok Wai (蔡國偉)	57	independent non- executive Director	supervising and providing independent judgment to our Board	25 October 2017	25 October 2017
Mr. Ma Chi Seng (馬志成)	39	independent non- executive Director	supervising and providing independent judgment to our Board	25 October 2017	25 October 2017
Mr. Ho Kevin King Lun (何敬麟)	41	independent non- executive Director	supervising and providing independent judgment to our Board	25 October 2017	25 October 2017

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## DIRECTORS AND SENIOR MANAGEMENT

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### Senior Management

Name	Age	Position	Role and responsibility	Date of joining our Group	Relationship with other Director(s) and senior management
Ms. Chan Ka Ian (陳家欣)	34	assistant general manager (sales and marketing)	management and supervision of sales and marketing team	7 July 2008	N/A
Mr. Ip Wai Wai (葉偉偉)	32	assistant general manager (technical)	management and supervision of the technical team	19 April 2010	N/A
Mr. Yuki Kaizu	38	consultancy and supplier development director	responsible for supplier development and consultancy service	5 November 2009	N/A

### DIRECTORS

Our Board of Directors currently consists of five Directors, comprised of two executive Directors and three independent non-executive Directors. Save as disclosed below, there are no other matters concerning each of our Directors' appointment that need to be brought to the attention of the Shareholders and the Stock Exchange and there are no other matters which shall be disclosed pursuant to Rule 17.50(2) of the GEM Listing Rules.

#### Executive Directors

**Mr. Huie, Allen Tat Yan** (許達仁), aged 59, is the chairman, an executive Director and the compliance officer of our Group. Mr. Huie is responsible for the strategic planning and financial supervision of our Group. He has served as a director and the chairman of the board of directors of our subsidiary, APE BVI, since 25 June 2015. He has also been appointed as a director and the chairman of the board of directors of our main operating subsidiary, APE Macau, since 18 November 2015 and 20 June 2016 respectively.

Mr. Huie is one of the founders of our Group, history of which can be traced back to late 2005. Mr. Huie has over 10 years of experience in the gaming industry.

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## DIRECTORS AND SENIOR MANAGEMENT

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Mr. Huie also has over 25 years of extensive experience in investments and investment banking. Apart from investing into our Group, Mr. Huie is also an investor in SeaAir Solutions, LLC (formerly known as Port Logistics), a terminal and cold storage operator in Florida, USA. Mr. Huie also serves directorships in a number of companies, including being a managing director of ShawKwei & Partners, a private equity firm in Cayman Islands. Mr. Huie was formerly a managing director of Salomon Brothers Inc. Mr. Huie is licensed under the SFO to engage in Type 9 (asset management) regulated activities. He is also a director and responsible officer of Gear Asset Management Limited (formerly known as Valuingine Asset Management Limited), a licensed asset management company in Hong Kong under the SFO.

Mr. Huie received both a bachelor of science in economics degree from the Wharton School and bachelor of arts degree in economics from the School of Arts and Sciences of University of Pennsylvania in 1980. He later obtained a Juris Doctor degree from the University of Pennsylvania Law School in 1983.

Mr. Huie was a co-founder and previously a director of Livingventures, Inc. (“**Livingventures**”) (formerly known as Green Global Investments, Inc.), a company incorporated under the laws of the State of Florida, the U.S. on 17 December 1999 and listed on the Over the Counter Bulletin Board of the U.S.. Livingventures was initially incorporated as a clean energy consultant providing advisory services to new projects in China and later shifted its business focus to senior housing management business in 2012.

Mr. Huie’s role was an investor of Livingventures in his own capacity and through his family trust. Mr. Huie served as the chairman of the board of directors and the chief executive officer of Livingventures from 2007 to 2012. Since 2012, a number of shareholders joined Livingventures and new directors were added to serve the board of Livingventures in view of the shift of the business focus. Mr. Huie served only as a director of Livingventures and had not been involved in the daily management and operations of Livingventures thereafter. Mr. Huie tendered his resignation as a director of Livingventures on 11 December 2014 so that he could focus on the management of his other investments. Since then Mr. Huie only remained as a shareholder of Livingventures.

The business was unsuccessful and Livingventures became inactive and was dissolved on 25 September 2015. As confirmed by Mr. Huie, there was no wrongful act on his part leading to the dissolution of Livingventures. As at the Latest Practicable Date, no actual claim has been made against Mr. Huie as a result of the dissolution. In addition, Mr. Huie is not aware of any potential claim which will be made against him as a result of the dissolution.

Save as disclosed above, Mr. Huie is not and has not been a director of any other listed company in Hong Kong or overseas in the past three years.

Mr. Huie was admitted in Appellate Division: Second Judicial Department in New York, the U.S. in 1984. Mr. Huie has not practiced law in the State of New York, the U.S. since 1985.

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## DIRECTORS AND SENIOR MANAGEMENT

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According to the relevant New York Judiciary Law, all attorneys who are admitted in the State of New York must biennially file a registration statement and pay a registration fee within 30 days after the attorney's birthday. By a decision and order of the Supreme Court of the State of New York dated 17 August 2016, Mr. Huie has been ordered to be suspended from the practice of law in the State of New York, the U.S. (effective from 15 April 2016) for his failure to comply with the registration requirements.

Mr. Huie has confirmed that he has no intention of practicing law in the State of New York, the U.S. in the future.

**Mr. Ng Man Ho Herman** (吳民豪), aged 45, is the chief executive officer and an executive Director of our Group. Mr. Ng is responsible for the overall business and, sales and marketing of our Group. Mr. Ng is one of the founders of our Group, history of which can be traced back to 2005. He has been appointed as a director and the managing director of our subsidiary, APE BVI since 14 November 2005 and 25 June 2015 respectively. Mr. Ng was also a sole director of our main operating subsidiary, APE Macau from 24 May 2006 to 18 November 2015 and has been appointed as the managing director and chief executive officer of APE Macau since 18 November 2015.

Mr. Ng has over 10 years of experience in the gaming industry. Prior to establishing our Group, Mr. Ng was a manager of O Mundo De Diversoes Centro where he was responsible for the operation and management of the arcade game center from 1996 to 2004.

Mr. Ng obtained an associate in science degree in construction and energy management and associate in science degree in business (general) from Cabrillo College in the U.S. in 1994 and 1995 respectively.

Mr. Ng is not and has not been a director of any other listed company in Hong Kong or overseas in the past three years.

### **Independent non-executive Directors**

**Mr. Choi Kwok Wai** (蔡國偉), aged 57, is an independent non-executive Director. Mr. Choi is responsible for supervising and providing independent judgment to our Board. Mr. Choi has 19 years of experience in accounting, auditing, taxation and corporate consultancy. He has been the managing partner of Choi, Lo & Co. C.P.A. Limited, a certified public accountant firm in Hong Kong, since 1998, responsible for the daily management and strategic planning of the firm. Mr. Choi has extensive experience in advising his clients on internal control, compliance and corporate governance, and providing pre-IPO consultation service.

Mr. Choi obtained a degree in accounting from the University of Southern Queensland in Australia in 1993. Mr. Choi is a member of the Hong Kong Institute of Certified Public Accountants since 1994. He is also a certified practicing accountant in Australia since 1994 and a certified tax advisor in Hong Kong since 2009. Mr. Choi has been appointed as the Chairman of The Society of Chinese Accountants and Auditors since 2017 and served as its council member from 2009 to 2017.

Mr. Choi is not and has not been a director of any other listed company in Hong Kong or overseas in the past three years.

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## DIRECTORS AND SENIOR MANAGEMENT

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**Mr. Ma Chi Seng** (馬志成), aged 39, is an independent non-executive Director. Mr. Ma is responsible for supervising and providing independent judgment to our Board. Since 2008, Mr. Ma has been appointed as a director of New Worldwide International Limited, a company incorporated in Macau conducting wholesale business of tobacco and wine.

Mr. Ma obtained a bachelor degree in business management from the Monash University in Australia in 2003.

Mr. Ma is not and has not been a director of any other listed company in Hong Kong or overseas in the past three years.

**Mr. Ho Kevin King Lun** (何敬麟), aged 41, is an independent non-executive Director. Mr. Ho is responsible for supervising and providing independent judgment to our Board. Mr. Ho is a member of Anhui Provincial Committee of the Chinese People's Political Consultative Conference Committee Standing Committee. Mr. Ho is a founder and has been a director of Valeo Strategic Investment Limited since 2007, which is mainly engaged in financial investment, property management and property transactions. Mr. Ho is the chairman of Anzac Group Company Limited since 2012, which is a real estate development company in Macau. Mr. Ho is responsible for the overall management, and strategic planning of the aforementioned companies. Mr. Ho has also been a member of the board of directors of Tai Fung Bank Limited in Macau since 2008, who is responsible for monitoring the bank's compliance with applicable laws and regulations, reviewing financial reports and business operations of the bank and ensuring that shareholders of the bank are treated fairly.

Mr. Ho obtained a bachelor's degree of commerce in marketing in 1998 and master's degree of commerce in international business from the University of New South Wales in Australia in 2000. He later obtained a doctoral degree in business administration from Macau University of Science and Technology in 2015.

Mr. Ho is not and has not been a director of any other listed company in Hong Kong or overseas in the past three years.

### SENIOR MANAGEMENT

The senior management team of our Group, in addition to the executive Directors listed above, is listed as follows:

**Ms. Chan Ka Ian** (陳家欣), aged 34, is the assistant general manager (sales and marketing) of our Group and has joined our Group since 7 July 2008. Ms. Chan is responsible for the management and supervision of the sales and marketing of our Group, including supervising the sales and marketing team of our Group, product marketing, liaising with clients and identifying their needs, developing and implementing pricing strategic for products of our Group. Prior to joining our Group, Ms. Chan was a marketing officer at Macau Legend Development Limited from 2007 to 2008.

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

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## DIRECTORS AND SENIOR MANAGEMENT

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Ms. Chan is not and has not been a director of any listed company in Hong Kong or overseas in the past three years.

**Mr. Ip Wai Wai** (葉偉偉), aged 32, is the assistant general manager (technical) of our Group and joined our Group since 19 April 2010. Mr. Ip is responsible for the management and supervision of the technical team of our Group, provision of technical support service, including installation, system maintenance, troubleshooting and design refinement of gaming machines. He also serves at the frontline to provide immediate and around-the-clock technical solutions to clients of our Group. Prior to joining our Group, Mr. Ip began his career as a slot technician at Elixir International Limited, an ICT (Information Communication Technology) and ELV (Extra Low Voltage) solution provider in Macau, from 2007 to 2009 and later as a casino technician at Casino Oceanus in Macau from 2009 to 2010. Mr. Ip has over 9 years of experience in provision of technical support regarding gaming machines.

Mr. Ip obtained a bachelor's degree in engineering (major in electrical and automation engineering) from Fujian University of Technology in 2007.

Mr. Ip is not and has not been a director of any listed company in Hong Kong or overseas in the past three years.

**Mr. Yuki Kaizu**, aged 38, is the consultancy and supplier development director of our Group and joined our Group since 5 November 2009. Mr. Kaizu is responsible for supplier development and consultancy service of the Group and in charge of the provision of consultancy service. Prior to joining our Group, Mr. Kaizu was a Sales Manager of All in Technologies Inc., in Japan from 2006 to 2009, responsible for sales and new account development of casino-related products to overseas markets.

Mr. Kaizu graduated from Centennial High School located at Ohio, the U.S. in 1997.

Mr. Kaizu is not and has not been a director of any listed company in Hong Kong or overseas in the past three years.

### COMPANY SECRETARY

**Mr. Kwok Siu Man** (郭兆文), aged 58, has been appointed as the Company Secretary of our Company since 14 March 2017. Mr. Kwok is an executive director and the head, corporate secretarial of Boardroom Corporate Services (HK) Limited and a director of Boardroom Share Registrars (HK) Limited, our Company's branch share registrars in Hong Kong.

Mr. Kwok has over 30 years' extensive legal, corporate secretarial and management experience. He was the company secretary of various listed companies in Hong Kong including Lai Sun Garment (International) Limited (Stock Code: 191), Lai Sun Development Company Limited (Stock Code: 488), Lai Fung Holdings Limited (Stock Code: 1125), S E A Holdings Limited (Stock Code: 251), K. Wah International Holdings Limited (Stock Code: 173) and Great Eagle Holdings Limited (Stock Code: 41).

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## DIRECTORS AND SENIOR MANAGEMENT

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Mr. Kwok is a fellow member of each of the Institute of Chartered Secretaries and Administrators and the Institute of Financial Accountants in England, the Institute of Public Accountants in Australia, The Hong Kong Institute of Chartered Secretaries (“HKICS”), The Association of Hong Kong Accountants and The Hong Kong Institute of Directors and a member of the Hong Kong Securities Institute.

Mr. Kwok obtained a professional diploma in company secretaryship and administration and a bachelor’s degree of arts in accountancy from The Hong Kong Polytechnic University (formerly known as the Hong Kong Polytechnic). He later obtained a post-graduate diploma in laws from the Manchester Metropolitan University in England. He also passed the Common Professional Examinations in England and Wales.

Mr. Kwok was an independent non-executive director of Grand Ocean Advanced Resources Company Limited (Stock Code: 65), a company listed on the Main Board of the Stock Exchange, from February 2015 to February 2016. Mr. Kwok was a council member and the chief examiner of the “Hong Kong Company Secretarial Practice/Corporate Secretaryship” of the international qualifying examinations of the HKICS.

Save as disclosed above, Mr. Kwok is not and has not been a director of any listed company in Hong Kong or overseas in the past three years.

### COMPLIANCE OFFICER

Mr. Huie is the compliance officer of our Company. Details of his qualifications and experience are set out in the paragraph headed “Directors” in this section above.

### BOARD COMMITTEES

#### Audit committee

Our Company has established an audit committee on 25 October 2017 in compliance with Rule 5.28 of the GEM Listing Rules with written terms of reference as suggested under the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control systems of our Group.

The audit committee comprises Mr. Choi Kwok Wai, Mr. Ma Chi Seng and Mr. Ho Kevin King Lun. Mr. Choi Kwok Wai has been appointed as the chairman of the audit committee.

#### Remuneration committee

Our Company has established a remuneration committee on 25 October 2017 in compliance with Rule 5.34 of the GEM Listing Rules with written terms of reference as suggested under the Corporate Governance Code set out in Appendix 15 to the GEM Listing Rules. The primary functions of the remuneration committee include determining the policies in relation to human resources management, reviewing our Company’s remuneration policies and determining remuneration packages for Directors and senior management members of our Company.

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## DIRECTORS AND SENIOR MANAGEMENT

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The remuneration committee comprises Mr. Ho Kevin King Lun, Mr. Ma Chi Seng and Mr. Huie. Mr. Ho Kevin King Lun has been appointed as the chairman of the remuneration committee.

### **Nomination committee**

Our Company has established a nomination committee on 25 October 2017 with written terms of reference as suggested under the Corporate Governance Code set out in Appendix 15 to the GEM Listing Rules. The primary functions of the nomination committee include making recommendations to the Board regarding candidates to fill vacancies on the Board.

The nomination committee comprises Mr. Huie, Mr. Ma Chi Seng and Mr. Ho Kevin King Lun. Mr. Huie has been appointed as the chairman of the nomination committee.

### **Risk management committee**

Our Company has established a risk management committee on 25 October 2017. The primary functions of the risk management committee include reviewing our Company's risk management policies and standards and monitoring our Company's exposure to sanctions law risks.

The risk management committee comprises Mr. Huie and Mr. Ng. Mr. Huie has been appointed as the chairman of the risk management committee.

## **COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT**

Our Directors and senior management receive compensation in the form of director fees, salaries, benefits in kind and/or discretionary bonuses relating to the performance of the Group. We also reimburse them for expenses which are necessarily and reasonably incurred for providing services to us or executing their functions in relation to our operations.

For each of the two years ended 31 December 2016 and the four months ended 30 April 2017, the aggregate amount of salaries and other allowances and benefits in kind paid by us to our Directors was approximately HK\$708,926, HK\$809,115 and HK\$223,204, respectively. Out of the five individuals with highest emoluments in the Group, one was our Director, the aggregate amount of remuneration (including fees, salaries, contributions to pension schemes, housing allowances and other allowances and benefits in kind and discretionary bonuses) which were paid or payable by our Company to the remaining four highest paid individuals for each of the two years ended 31 December 2016 and the four months ended 30 April 2017 was approximately HK\$1,481,857, HK\$1,701,176, and HK\$678,789 respectively.

No remuneration was paid by our Company to our Directors or the five highest paid individuals as an inducement to join or upon joining our Company or as a compensation for loss of office in respect of the two years ended 31 December 2016 and the four months ended 30 April 2017. Further, none of our Directors had waived any remuneration during the same period.

Under the arrangements currently in force, we estimate the aggregate remuneration, excluding discretionary bonuses, payable to our Directors for the year ending 31 December 2017 shall be no more than HK\$2.5 million.

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## DIRECTORS AND SENIOR MANAGEMENT

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Each of our executive Directors has entered into a service contract with our Company dated 25 October 2017 and our Company has also entered into a letter of appointment with each of our independent non-executive Directors. Further details of the terms of the above service contracts and letters of appointment are set out in the paragraph headed “Further information about Substantial Shareholders, Directors and experts” in Appendix IV to this prospectus.

### COMPLIANCE ADVISOR

We have appointed Southwest HK Capital as our compliance advisor pursuant to Rule 6A.23 of the GEM Listing Rules, pursuant to which the compliance advisor will advise us in the following circumstances:

- before the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- where we propose to use the net proceeds of the Share Offer in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate or other information in this prospectus; and
- where the Stock Exchange makes an inquiry of us regarding unusual movements in the price or trading volume of our Shares.

The terms of the appointment shall commence on the Listing Date and end on the date which we distribute our annual report of our financial results for the first full financial year commencing after the Listing Date and such appointment may be subject to extension by mutual agreement.

### SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme. A summary of the principal terms of the Share Option Scheme is set out in the paragraph headed “Share Option Scheme” in Appendix IV to this prospectus.

### CORPORATE GOVERNANCE

Our Directors recognize the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of our Group so as to achieve effective accountability.

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## DIRECTORS AND SENIOR MANAGEMENT

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Our Company has adopted the code provisions stated in the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules. Our Company is committed to the view that our Board should include a balanced composition of executive Directors and independent non-executive Directors so that there is a strong independent element on our Board, which can effectively exercise independent judgment. Our Company's corporate governance practices have complied with the Corporate Governance Code.

Our Directors will review our corporate governance policies and compliance with the Corporate Governance Code each financial year and comply with the "comply or explain" principle in our corporate governance report, which will be included in our annual reports upon the Listing.

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## SUBSTANTIAL SHAREHOLDERS

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### SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be issued pursuant to the Offer Size Adjustment Option and any Shares which may be issued upon the exercise of any option which may be granted under the Share Option Scheme), the following persons will have interests or short positions in our Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group:

Name of Shareholder	Capacity/ Nature of interest	Number of Shares held/interested immediately following the completion of the Capitalisation Issue and the Share Offer <i>(Note 1)</i>	Percentage of shareholding immediately following the completion of the Capitalisation Issue and the Share Offer
APE HAT <i>(Note 2)</i>	Beneficial owner	725,100,000 Shares	72.51%
Mr. Huie <i>(Note 3)</i>	Interest in controlled corporation, interest held jointly with another person	725,100,000 Shares	72.51%
Mr. Ng <i>(Note 3)</i>	Interest in controlled corporation, interest held jointly with another person	725,100,000 Shares	72.51%
Mr. Chan <i>(Note 3)</i>	Interest in controlled corporation, interest held jointly with another person	725,100,000 Shares	72.51%

*Notes:*

1. All interests stated are long positions.
2. APE HAT is the direct Shareholder of our Company.
3. APE HAT is beneficially owned as to approximately 39.68% by Mr. Huie, approximately 39.68% by Mr. Ng and approximately 20.64% by Mr. Chan, respectively. On 10 March 2017, Mr. Huie, Mr. Ng and Mr. Chan entered into the Deed of Concert Parties to acknowledge and confirm, among other things, that they are parties acting in concert during the Track Record Period and that to continue to act in the same manner in our Group upon the Listing. By virtue of the SFO, Mr. Huie, Mr. Ng and Mr. Chan are deemed to be interested in the Shares held by APE HAT.

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## **SUBSTANTIAL SHAREHOLDERS**

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Save as disclosed above, our Directors are not aware of any other persons who will, immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be issued pursuant to the Offer Size Adjustment Option and any Shares which may be issued upon the exercise of any option which may be granted under the Share Option Scheme), have interests or short positions in Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any member of our Group.

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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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### OUR CONTROLLING SHAREHOLDERS

Pursuant to the Deed of Concert Parties, Mr. Huie, Mr. Ng and Mr. Chan confirm, agree and acknowledge, among other things, that they are parties acting in concert in respect of our Group since 1 January 2015. For details of the Deed of Concert Parties, please refer to the paragraph headed “History, Reorganisation and corporate structure – History and development – Deed of Concert Parties” in this prospectus.

Immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be issued pursuant to the Offer Size Adjustment Option and any Shares which may be issued upon the exercise of any option which may be granted under the Share Option Scheme), our ultimate Controlling Shareholders, Mr. Huie, Mr. Ng and Mr. Chan, acting in concert as a group of Controlling Shareholders and through their holding company, namely APE HAT, will indirectly hold in aggregate approximately 72.51% interest in our Company. Please refer to the section headed “Substantial Shareholders” in this prospectus for details of the shareholding interest of our Controlling Shareholders.

Our Directors and our Controlling Shareholders confirm that they and their respective close associates do not have any interest, individually or together, in any business which competes or is likely to compete, directly or indirectly, with our business, which would require disclosure under Rule 11.04 of the GEM Listing Rules. Save for our Controlling Shareholders’ interests in our Company, none of our Directors and our Controlling Shareholders and their respective close associates are engaged in any business which competes or is likely to compete, directly or indirectly, with our business, which would require disclosure under Rule 11.04 of the GEM Listing Rules.

### INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are capable of carrying out our business independently from the Controlling Shareholders, their close associates or any other parties upon Listing for the reasons stated below:

#### **Financial independence**

We have an independent financial system and make financial decisions according to our own business needs. We have sufficient capital to operate our business independently, and have adequate internal resources to support our daily operations. Our Directors confirm that we will not rely on our Controlling Shareholders for financing upon Listing as we expect that our working capital will be funded by our operating income.

Our Group has its own financial management system and the ability to operate independently of the Controlling Shareholders from a financial perspective.

Based on the above, our Directors believe that we are able to maintain financial independence from the Controlling Shareholders.

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## **RELATIONSHIP WITH CONTROLLING SHAREHOLDERS**

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### **Operational independence**

While our Board has full rights to make decisions on the overall strategic development and management and operational aspects of our Group, our Group has established our own organisational structure comprising of individual departments, each with specific areas of responsibilities. Our Group has not shared our operational resources such as suppliers, customers, marketing, sales and general administration resources with our Controlling Shareholders and/or their close associates. Our Directors are of the view that there is no operational dependence on our Controlling Shareholders.

Our Directors consider that our Controlling Shareholders have taken all practicable steps to avoid competition with our Group and that our Controlling Shareholders have entered into the Deed of Non-competition with our Group. They are satisfied that our Controlling Shareholders will not be engaged in material competition with our Group. Details of the deed of non-competition are set out in the paragraph headed “Non-competition undertaking” in this section below.

### **Management independence**

Our Company aims at establishing and maintaining a strong and independent Board to oversee our Group’s business. The main function of our Board includes the approval of its overall business plans and strategies, monitoring the implementation of these policies and strategies and the management of our Company. Our Company has an independent management team, which is led by a team of senior management with substantial experience and expertise in its business, to implement our Group’s policies and strategies.

Each of our Directors is aware of his fiduciary duties as a director which require, among others, that he must act for the benefit of and in the best interests of our Company and not allow any conflict between his duties as a Director and his personal interests. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and any of our Directors or their respective close associates, the interested Director(s) shall abstain from voting at the relevant Board meetings of our Company in respect of such transactions, and shall not be counted in forming quorum for the relevant meeting. The interested Director(s) shall not attend any independent board committee meetings comprising our independent non-executive Directors only.

Based on the above, our Directors are satisfied that our Board as a whole, together with our senior management team, is able to perform the managerial role in our Group independently.

### **RULE 11.04 OF THE GEM LISTING RULES**

Our Controlling Shareholders, our Directors and their respective associates do not have any interest in a business apart from our Group’s business which competes and is likely to compete, directly or indirectly, with our Group’s business and would require disclosure under Rule 11.04 of the GEM Listing Rules.

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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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### NON-COMPETITION UNDERTAKING

On 25 October 2017, our Controlling Shareholders entered into the Deed of Non-competition in favor of our Company, pursuant to which each of our Controlling Shareholders irrevocably undertakes to us that it will not and will procure its close associates (except any member of our Group) not to, directly or indirectly (whether in the capacity of principal or agent, whether for its own benefit or jointly with or on behalf of any person, firm or company, whether within or outside Macau), commence, engage in, participate in or acquire any business which competes or may compete directly or indirectly with the core business of our Group (the “**Restricted Business**”) or own any rights or interests in such business.

Each of our Controlling Shareholders has further irrevocably undertaken that during the Restricted Period (as defined below), it will and will procure its close associates (except any member of our Group) (the Controlling Shareholders and their close associates together, “**Offeror**”) to offer new business opportunities to us first in the following manner when any business, investment or other business opportunities (the “**New Business Opportunities**”) related to the Restricted Business become available to the Offeror:

- (i) The Offeror will make referral of the New Business Opportunities to us, and will as soon as possible inform us in writing (the “**Offer Notice**”) about all necessary and reasonably required information in respect of any New Business Opportunities (including but not limited to details of the nature and investment or acquisition cost of the New Business Opportunities) for us to consider (a) whether the relevant New Business Opportunities will compete with our Group’s business and (b) whether taking up the New Business Opportunities is in the interest of our Group.
- (ii) Upon receipt of the Offer Notice, our independent non-executive Directors will consider whether to pursue the New Business Opportunities taking into account whether the relevant New Business Opportunities would be able to achieve a sustainable profitability level, whether they are in line with the prevailing development strategies of our Group, and whether they are in the best interest of our Shareholders. We must inform the Offeror in writing within 20 business days after receipt of the Offer Notice about our decision on whether the New Business Opportunities will be pursued.
- (iii) Only when (a) the Offeror has received our notice to reject the New Business Opportunities and our confirmation that the relevant New Business Opportunities are not considered to be able to compete with the Restricted Business; or (b) the Offeror has not received the relevant notice from our Company within the period as stated above in paragraph (ii) after the Offer Notice has been received by us, then the Offeror is entitled to take up the New Business Opportunities on terms and conditions not more favorable than those specified in the Offer Notice issued to us.

If material changes occur in the terms and conditions of the New Business Opportunities after the referral of which have been made or procured to be made to us by the Offeror, referral of the revised New Business Opportunities shall be made by the Offeror to us again in the manner as stated above.

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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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The undertakings under the Deed of Non-competition are not applicable in the following circumstances:

- (i) our Controlling Shareholders and/or their close associates engage in the Restricted Business directly or indirectly through the ownership of equity interest in any member of our Group; or
- (ii) our Controlling Shareholders and/or their close associates engage in the Restricted Business directly or indirectly through the ownership of equity interest in listed companies other than our Group, with the following conditions being satisfied:
  - (a) the Restricted Business (and relevant assets) conducted or carried out by such company represents less than 10% of the revenue or total assets of such company according to the latest audited accounts of such company; and
  - (b) our Controlling Shareholders and/or their close associates (except any member of our Group) hold in aggregate not more than 10% of the issued share capital of the relevant class of shares of such company, and our Controlling Shareholders and/or their close associates (except any member of our Group) have no right to appoint the majority of directors of such company or participate in the management of such company.

Pursuant to the Deed of Non-competition, the restricted period (“**Restricted Period**”) refers to the period commencing from the Listing Date and ending on the following dates (whichever occurs first):

- (i) the date on which our Shares cease to be listed on the Stock Exchange; or
- (ii) the date on which our Controlling Shareholders and their close associates, jointly and severally, cease to be controlling shareholders (having the meaning ascribed to it in the GEM Listing Rules) of our Company.

## CORPORATE GOVERNANCE MEASURES

To avoid potential conflicts of interest, our Group will implement the following measures:

- (a) a Director shall not vote on any resolution approving any contract or arrangement or any other proposal in which such Director or any of his close associates have a material interest nor shall such Director be counted in the quorum present at the meeting;
- (b) a Director with material interests shall make full disclosure in respect of matters that conflict or potentially conflict with our interest and absent himself from the board meetings on matters in which such Director or his close associates have a material interest;

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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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- (c) we are committed that our Board should include a balanced composition of executive and non-executive Directors (including independent non-executive Directors). We have appointed three independent non-executive Directors and we believe our independent non-executive Directors possess sufficient experience and they are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgment and will be able to provide an impartial, external opinion to protect the interests of our public Shareholders. Details of our independent non-executive Directors are set out in the section headed “Directors and senior management” in this prospectus; and
  
- (d) we have appointed Southwest HK Capital as our compliance advisor, which will provide advice and guidance to us in respect of compliance with the applicable GEM Listing Rules including various requirements relating to directors’ duties and corporate governance.

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## CONNECTED TRANSACTION

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Our Group has entered into the following transaction with a connected person and such transaction will continue after Listing thereby constituting a continuing connected transaction of our Group under the GEM Listing Rules.

### EXEMPTED CONTINUING CONNECTED TRANSACTION

#### *Connected Person*

Tai Pong Fat, a limited liability company incorporated in Macau, is owned as to 10% by Mr. Ng, a Controlling Shareholder and an executive Director, 50% by Mr. Ung Chu Pong (father of Mr. Ng), 20% by Ms. Chan Seak Kuai (mother of Mr. Ng), 10% by Ms. Ng Sin Yan (sister of Mr. Ng), 10% by Ms. Ng Sin Man (sister of Mr. Ng), respectively. Accordingly, Tai Pong Fat is a connected person of our Company under Rule 20.07(4) of the GEM Listing Rules upon Listing.

#### *The tenancy agreement*

Tai Pong Fat is the sole registered and beneficial owner of the office premises of APE Macau which is located at Avenida da Amizade, n.º 1023, Nam Fong Building, 1st Floor “AA” and “Z”, Macau (the “**Property**”).

Our Group has entered into the following tenancy agreement (the “**Tenancy Agreement**”) with Tai Pong Fat which will continue after Listing:

Date of agreement	:	1 January 2017
Tenant	:	APE Macau
Landlord	:	Tai Pong Fat
Term	:	From 1 January 2017 to 31 December 2017
Annual rent payable	:	MOP\$14,100.00 (inclusive of utilities charge of MOP\$2,000.00 and exclusive of car parking space, government rent, rates, management fees, and other service charges)
Use of property	:	Our principal place of business in Macau

For each of the two years ended 31 December 2016, the total rental paid by our Group to Tai Pong Fat for the use of the office premises by APE Macau (inclusive of utilities and exclusive of car parking space, government rent, rates, management fees, and other service charges) was MOP\$170,208.00 (equivalent to approximately HK\$165,250.63).

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## CONNECTED TRANSACTION

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The rental expense for the year ending 31 December 2017 will amount to MOP\$169,200.00 (equivalent to approximately HK\$164,271.98).

The terms of the Tenancy Agreement were agreed between APE Macau and Tai Pong Fat with reference to the prevailing market rent at the relevant time. Our Directors (including our independent non-executive Directors) consider that the Tenancy Agreement was entered into on normal commercial terms and in the ordinary and usual course of business of our Group, which are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

### *GEM Listing Rules implications*

As the relevant applicable percentage ratios with respect to the transaction contemplated under the Tenancy Agreement on an annual basis is less than 5% and the annual consideration is less than HK\$3,000,000, the transaction contemplated thereunder constitutes exempt continuing connected transaction under Rule 20.74(1) of the GEM Listing Rules, which is exempt from the reporting, announcement, annual review and independent shareholders' approval requirements of Chapter 20 of the GEM Listing Rules.

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## SHARE CAPITAL

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### SHARE CAPITAL

The share capital of our Company immediately after completion of the Capitalisation Issue and the Share Offer is set out in the table below. The table is prepared on the basis of the Share Offer becoming unconditional and the issue of the Offer Shares pursuant thereto is made as described herein. It does not take into account of any Shares which may be issued pursuant to the Offer Size Adjustment Option or any Shares which may be issued upon the exercise of any option which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by our Company under the general mandates for the allotment and issue or repurchase of Shares granted to our Directors as referred to below or otherwise:

	<i>Nominal value</i>
	<i>HK\$</i>
<i>Authorized share capital:</i>	
<u>10,000,000,000</u> Shares of HK\$0.01 each	<u>100,000,000</u>
<i>Issued and to be issued, fully paid or credited as fully paid</i>	
2,500 Shares in issue as at the date of this prospectus	25
749,997,500 Shares to be issued pursuant to the Capitalisation Issue	7,499,975
<u>250,000,000</u> Offer Shares to be issued pursuant to the Share Offer	<u>2,500,000</u>
<i>Total</i>	
<u>1,000,000,000</u> Shares in issue immediately following the Capitalisation Issue and the Share Offer (excluding any Shares which may be issued pursuant to the Offer Size Adjustment Option and any Shares which may be issued upon the exercise of any option which may be granted under the Share Option Scheme)	<u>10,000,000</u>

### Minimum public float

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at least 25% of the total number of issued shares of our Company must at all times be held by the public. The 250,000,000 Offer Shares represent 25% of the issued share capital of our Company upon Listing.

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## SHARE CAPITAL

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### Ranking

The Offer Shares will rank *pari passu* in all respects with all our Shares now in issue or to be allotted and issued as mentioned in this prospectus and will qualify for all dividends or other distributions declared, made or paid on our Shares in respect of a record date which falls after the Listing Date.

### SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme, the major terms of which are set out in the paragraph headed “Share Option Scheme” in Appendix IV to this prospectus.

### GENERAL MANDATE TO ISSUE SHARES

Subject to the Share Offer becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with our Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such securities convertible into Shares, and to make or grant offers, agreements or options which might require such Shares to be allotted and issued or dealt with subject to the requirement that the aggregate nominal value of our Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued (otherwise than pursuant to a rights issue, or scrip dividend scheme or similar arrangements, or a specific authority granted by our Shareholders) shall not exceed:

- (i) 20% of the aggregate nominal value of the share capital of our Company in issue immediately following the completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be issued pursuant to the Offer Size Adjustment Option and any Shares which may be issued upon the exercise of any option which may be granted under the Share Option Scheme); and
- (ii) the aggregate nominal value of the share capital of our Company repurchased by our Company (if any) pursuant to the general mandate to repurchase Shares referred to in the paragraph headed “General mandate to repurchase Shares” in this section below.

This mandate does not cover Shares to be allotted, issued, or dealt with under a rights issue or pursuant to the exercise of any option which may be granted under the Share Option Scheme. This general mandate to issue Shares will remain in effect until the earliest of:

- (i) the conclusion of the next annual general meeting of our Company;
- (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
- (iii) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders at a general meeting.

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## SHARE CAPITAL

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For further details of this general mandate, please refer to the paragraph headed “Further information about our Company – 3. Resolutions in writing of all Shareholders passed on 25 October 2017” in Appendix IV to this prospectus.

### **GENERAL MANDATE TO REPURCHASE SHARES**

Subject to the Share Offer becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with an aggregate nominal value of not more than 10% of the aggregate nominal value of the share capital of our Company in issue following the completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be issued pursuant to the Offer Size Adjustment Option and any Shares which may be issued upon the exercise of any option which may be granted under the Share Option Scheme).

This mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, and such repurchases are made in accordance with all applicable laws and the requirements of the GEM Listing Rules.

The general mandate to repurchase Shares will remain in effect until the earliest of:

- (i) the conclusion of the next general meeting of our Company;
- (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or the Companies Law or any other applicable law of the Cayman Islands to be held; or
- (iii) the time when such mandate is revoked or varied or renewed by an ordinary resolution of our Shareholders in general meeting.

For further details of this general mandate, please refer to the paragraph headed “Further information about our Company – 6. Repurchase of our Shares by our Company” in Appendix IV to this prospectus.

### **CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED**

The circumstances under which general meeting and class meeting are required are provided in our Articles of Associations, a summary of which is set out in Appendix III to this prospectus.

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## FINANCIAL INFORMATION

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*You should read this section in conjunction with our audited consolidated financial information as at and for the two years ended 31 December 2016 and the four months ended 30 April 2017, including the notes thereto, as set out in Appendix I to this prospectus. The consolidated financial information has been prepared in accordance with IFRS. You should read the whole of the Accountants' Report included as Appendix I to this prospectus and not rely merely on the information contained in this section.*

*The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, our actual results may differ significantly from those anticipated in the forward-looking statements. Factors that might cause future results to differ significantly from those anticipated in the forward-looking statements include those discussed in the section headed "Risk factors" in this prospectus.*

### OVERVIEW

We are the fourth largest Electronic Gaming Equipment supplier by revenue in Macau in 2016. Out of the two types of equipment categorised under our Electronic Gaming Equipment, we focus on the technical sales and distribution of ETGs and we are the largest ETG supplier in Macau in 2016 by revenue with a market share of approximately 30.4%, according to the CIC Report. Established in 2005, our Group is one of the first approved gaming machine agents in Macau to provide a full range of customised technical solutions for Electronic Gaming Equipment, with particular expertise in localisation and customisation of Electronic Gaming Equipment for the gaming market in Macau. According to the list made available on DICJ's website (which DICJ is required to keep updated, pursuant to the Regulation), as at the Latest Practicable Date, we are one of the five gaming machines agents approved by DICJ and we provide products and/or services to all six of Macau's licensed gaming concessionaires.

Our core business includes (i) the technical sales and distribution of Electronic Gaming Equipment to casino operators; (ii) the provision of consulting services to manufacturers of Electronic Gaming Equipment and technical services to casino operators; and (iii) the provision of repair services to casinos operators. During the Track Record Period, we generated revenue from the abovementioned core business. Our revenue increased by approximately 9.1% from approximately HK\$48.2 million for the year ended 31 December 2015 to approximately HK\$52.6 million for the year ended 31 December 2016 and from approximately HK\$15.2 million for the four months ended 30 April 2016 to HK\$20.2 million for the four months ended 30 April 2017. Our profit for the year decreased by approximately 25.1% from approximately HK\$12.8 million for the year ended 31 December 2015 to approximately HK\$9.6 million for the year ended 31 December 2016 and from approximately HK\$4.7 million for the four months ended 30 April 2016 to HK\$0.7 million for the four months ended 30 April 2017. Excluding the non-recurring Listing expenses of approximately HK\$4.3 million and HK\$5.0 million incurred for the year ended 31 December 2016 and the four months ended 30 April 2017, our profit for the year ended 31 December 2016 amounted to approximately HK\$13.9 million, representing an increase of approximately HK\$1.1 million compared to approximately HK\$12.8 million for the year ended 31 December 2015 and a stable growth of approximately 8.9%; whilst our profit excluding the non-recurring Listing expenses for the four months ended 30 April 2017 amounted to approximately HK\$5.7 million, representing an increase of approximately HK\$1.0 million compared to approximately HK\$4.7 million for the four months ended 30 April 2016 and a growth of approximately 21.4%.

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## FINANCIAL INFORMATION

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### **BASIS OF PRESENTATION**

The financial information has been prepared by our Directors based on accounting policies which conform with IFRS issued by International Accounting Standard Board, on the basis of presentation as set out in note 2 in section A of the Accountants' Report set out in Appendix I to this prospectus, and no adjustments have been made in preparing the financial information.

Inter-company transactions, balances and unrealised gains/losses on transactions between group companies are eliminated on combination.

### **KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS**

Our results of operations have been and will continue to be affected by a number of factors, including those set out below:

#### **Macro-economy of Macau**

According to the CIC Report, the macro-economy of Macau achieved substantial growth with increasing GDP from approximately USD28.1 billion in 2010 to approximately USD55.5 billion in 2014, followed by a sharp decline of GDP to approximately USD46.2 billion in 2015 given a fall in tourist numbers and gaming industry revenues, but is expected to keep rising after 2017, reaching approximately USD49.4 billion by 2020. Since the gaming industry accounted for half of Macau's GDP, our operating results are affected by the performance of Macau's GDP as all our operations were in Macau and all of our revenue was domestically generated in Macau during the Track Record Period. Our Directors believe that our results of operation will continue to be affected by the Macau's GDP in the future.

#### **Gaming industry of Macau**

During the Track Record Period, a majority of our revenue was contributed by the technical sales and distribution of Electronic Gaming Equipment which accounted for approximately 86.4%, 79.6% and 76.7%, respectively, of our total revenue for the two years ended 31 December 2016 and the four months ended 30 April 2017. As such, our results of operations are much dependent on the development of gaming industry in Macau which in turn affect the demand of our Electronic Gaming Equipment. As the gaming industry of Macau evolved, the demand of Electronic Gaming Equipment has been on an increasing trend. According to the CIC Report, a number of key drivers, among other things, higher efficiency and lower entry fee of ETGs compared with acceptance of traditional gaming tables, limited labour force in Macau and table caps in Macau, have driven the demand of ETGs. Such increasing demand is reflected by the increase in number of seats sold from 214 seats for the year ended 31 December 2015 to 244 seats for the year ended 31 December 2016.

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## FINANCIAL INFORMATION

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### **Demand of our Electronic Gaming Equipment driven by timing of casino openings and replacement of used Electronic Gaming Equipment**

Our business and results of operation mostly consist of revenue from technical sales and distribution of Electronic Gaming Equipment which is highly dependent on the demand of casinos, particularly at the time of new casino openings and replacement of used Electronic Gaming Equipment. During the Track Record Period, revenue from technical sales and distribution of Electronic Gaming Equipment accounted for approximately 86.4%, 79.6% and 76.7%, respectively, of our total revenue for the two years ended 31 December 2016 and the four months ended 30 April 2017, which was mainly contributed by openings of new casinos and replacement of used Electronic Gaming Equipment.

### **Competition from suppliers which enter the market by direct sales**

As mentioned above, a significant portion of our revenue was generated by technical sales and distribution of Electronic Gaming Equipment. Thus, our revenue is also highly dependent on the supplies from our suppliers.

Instead of relying on gaming machine agent(s) to supply their products to casino operators in Macau, some manufacturers of Electronic Gaming Equipment choose to supply Electronic Gaming Equipment to casino operators in Macau by direct sales. If any of our existing suppliers decides to supply Electronic Gaming Equipment to casino operators in Macau directly without engaging us, our business, financial condition and results of operations could be materially and adversely affected.

In addition, other manufacturers of Electronic Gaming Equipment that wish to enter into the Macau market in the future may choose to make direct sales to casino operators in Macau by obtaining the relevant approval from DICJ. We will then face increased competition and our business, financial condition and results of operations may be materially and adversely affected.

### **Ability to source popular machines**

Our business performance and profitability are affected by our ability to source products favoured by casino operators and players. The market acceptance and desirability of different Electronic Gaming Equipment may be difficult to predict and may change according to market conditions in the gaming industry. We are currently relying on our sales and management team to keep track of the market trends and introduce new products to casino operators which we believe possess the potential to gain popularity in the future.

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## FINANCIAL INFORMATION

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### Composition of our revenue

During the Track Record Period, we generated our revenue from a range of services to our customers, including technical sales and distribution, consulting and technical services and repair services which are mostly priced on a cost-plus basis under different projects. Electronic Gaming Equipment sold or services provided within the same business line may generate different gross profit margins due to different factors, among others, such as different brands, versions, designs and technical services involved. Consequently, our gross profit margins are impacted by the composition of the products sold or services provided that make up our sales. Thus, our results of operations may vary from period to period as a result of changes in the composition of our revenue in the future.

For further details regarding the composition of our business line, please refer to the paragraph headed “Business – Our business” in this prospectus.

### Cost of machines and spare parts

Our cost of sales consists of cost of machines and spare parts, staff costs for consulting and technical services and others. During the Track Record Period, our cost of machines and spare parts accounted for approximately 88.9%, 83.8% and 84.2%, respectively, for the two years ended 31 December 2016 and the four months ended 30 April 2017. Though our cost of machines and spare parts accounted for a majority of our costs of sales, we believe that we are able to manage our profitability even if there are fluctuations in such cost. As we adopt a cost-plus model on the technical sales and distribution of our Electronic Gaming Equipment and price separately for each project, we are able to maximise our selling price and hence our gross profit.

### CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We have identified certain accounting policies that are significant to the preparation of our Group’s financial statements. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgments relating to accounting items. In each case, the determination of these items requires management judgments based on information and financial data that may change in future periods. When reviewing our financial statements, you should consider: (i) our selection of critical accounting policies; (ii) the judgments and other uncertainties affecting the application of such policies; and (iii) the sensitivity of reported results to changes in conditions and assumptions. For our accounting estimates on allowance for bad and doubtful debts and allowances for inventories, we had not noted material difference of our estimates from the actual results during the Track Record Period. Also, we had not experienced any change in estimates nor its underlying assumptions in the past. The method and assumptions on such estimates will unlikely be changed in the future. Our significant accounting policies, estimates and judgments, which are important for an understanding of our financial condition and results of operations, are set out below. See Notes 4 and 5 of the Accountants’ Report set out in Appendix I to this prospectus for details.

## FINANCIAL INFORMATION

### RESULTS OF OPERATIONS

The following table summarises the selected items in our consolidated statements of profit or loss and other comprehensive income for the Track Record Period, extracted from the Accountants' Report in Appendix I to this prospectus.

	Year ended 31 December				Four months ended 30 April			
	2015		2016		2016		2017	
	HK\$	%	HK\$	%	HK\$	%	HK\$	%
	(Unaudited)							
Revenue	48,174,780	100.0	52,576,234	100.0	15,168,769	100.0	20,208,000	100.0
Cost of sales and services	(28,634,786)	(59.4)	(29,347,887)	(55.8)	(7,946,729)	(52.4)	(10,884,785)	(53.9)
Gross profit	19,539,994	40.6	23,228,347	44.2	7,222,040	47.6	9,323,215	46.1
Other income, gains and losses	1,115,101	2.3	901,770	1.7	429,856	2.8	176,086	0.9
Operating expenses	(6,201,815)	(12.9)	(8,339,545)	(15.9)	(2,380,586)	(15.6)	(3,050,014)	(15.0)
Listing expenses	–	–	(4,331,870)	(8.2)	–	–	(5,003,756)	(24.8)
Profit before tax	14,453,280	30.0	11,458,702	21.8	5,271,310	34.8	1,445,531	7.2
Income tax expense	(1,694,582)	(3.5)	(1,896,421)	(3.6)	(586,935)	(3.9)	(761,271)	(3.8)
Profit and total comprehensive income for the year/period	<u>12,758,698</u>	<u>26.5</u>	<u>9,562,281</u>	<u>18.2</u>	<u>4,684,375</u>	<u>30.9</u>	<u>684,260</u>	<u>3.4</u>

### DESCRIPTION OF SELECTED ITEMS IN CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

#### Revenue

During the Track Record Period, we generated our revenue from (i) technical sales and distribution of Electronic Gaming Equipment and its spare parts; (ii) provision of consulting and technical services related to electronic gaming machine operations; and (iii) repair services for Electronic Gaming Equipment. During the Track Record Period, our revenue amounted to approximately HK\$48.2 million, HK\$52.6 million and HK\$20.2 million for the two years ended 31 December 2016 and the four months ended 30 April 2017, respectively. During the Track Record Period, all of our revenue was derived in Macau.

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## FINANCIAL INFORMATION

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The following table sets forth the breakdown of our revenue by business line for the periods indicated:

	Year ended 31 December				Four months ended 30 April			
	2015		2016		2016		2017	
	<i>HK\$</i>	%	<i>HK\$</i>	%	<i>HK\$</i>	%	<i>HK\$</i>	%
					(Unaudited)			
Technical sales and distribution	41,636,758	86.4	41,842,696	79.6	12,673,284	83.5	15,498,523	76.7
Consulting and technical services	4,737,401	9.8	8,644,766	16.4	1,754,035	11.6	3,604,796	17.8
Repair services	<u>1,800,621</u>	<u>3.8</u>	<u>2,088,772</u>	<u>4.0</u>	<u>741,450</u>	<u>4.9</u>	<u>1,104,681</u>	<u>5.5</u>
	<u><u>48,174,780</u></u>	<u><u>100.0</u></u>	<u><u>52,576,234</u></u>	<u><u>100.0</u></u>	<u><u>15,168,769</u></u>	<u><u>100.0</u></u>	<u><u>20,208,000</u></u>	<u><u>100.0</u></u>

*Technical sales and distribution of Electronic Gaming Equipment and its spare parts*

We recognised revenue from technical sales and distribution of Electronic Gaming Equipment and its spare parts in respect of which significant risk and rewards of ownership are transferred to our customers upon delivery, installed and approved by local authorities. We generated most of our revenue from the technical sales and distribution of Electronic Gaming Equipment namely ETGs, EGMs and spare parts of Electronic Gaming Equipment, which amounted to approximately HK\$41.6 million, HK\$41.8 million and HK\$15.5 million for the two years ended 31 December 2016 and the four months ended 30 April 2017, respectively. Such revenue took up a majority of our total revenue which accounted for approximately 86.4%, 79.6%, 76.7% for the two years ended 31 December 2016 and the four months ended 30 April 2017, respectively. The table below sets out a breakdown of our Group's revenue by product category and their respective numbers of seats under our technical sales and distribution during the Track Record Period:

	Year ended 31 December			Four months ended 30 April												
	2015	2016		2016		2017										
	Number of seats	Average price per seats	Number of seats	Average price per seats	Number of seats	Average price per seats										
	HK\$	HK\$'000	HK\$	HK\$'000	HK\$	HK\$'000										
ETGs	36,768,544	88.3	212	173	37,213,433	88.9	224	166	11,177,438	88.2	64	175	13,543,413	87.4	56	242
EGMs	301,394	0.7	2	151	2,891,561	6.9	20	145	1,034,700	8.2	8	129	1,677,490	10.8	12	140
Spare parts	4,566,820	11.0	N/A	N/A	1,737,702	4.2	N/A	N/A	461,146	3.6	N/A	N/A	277,620	1.8	N/A	N/A
	<u>41,636,758</u>	<u>100.0</u>	<u>214</u>	<u>41,842,696</u>	<u>100.0</u>	<u>244</u>	<u>12,673,284</u>	<u>12,673,284</u>	<u>100.0</u>	<u>72</u>	<u>15,498,523</u>	<u>100.0</u>	<u>68</u>	<u>100.0</u>	<u>68</u>	<u>68</u>

(Unaudited)

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## FINANCIAL INFORMATION

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In response to the rise in demand for ETGs due to the cap on number of traditional gaming tables imposed by DICJ, we focused on the technical sales and distribution of ETGs during the Track Record Period and recorded a higher number of seats of ETGs sold compared to that of EGMs during the Track Record Period.

### *Provision of consulting and technical services related to electronic gaming machine operations*

Our revenue from consulting services includes fixed consultancy fees received or receivables under relevant contracts with customers and other technical supports services rendered. We determine our fees on a case by case basis, taking into account various factors including the scope, extent and complexity of services required. The revenue was recognised over the contract period of the project concerned in accordance with the terms and substance of the relevant consultancy contracts. During the Track Record Period, the revenue generated from the provision of consulting and technical services amounted to approximately HK\$4.7 million, HK\$8.6 million and HK\$3.6 million for the two years ended 31 December 2016 and the four months ended 30 April 2017, respectively, representing approximately 9.8%, 16.4% and 17.8% of our total revenue for the respective years/period.

### *Repair services*

Revenue from repair services represents the consideration received or receivables for providing repair services to casino operators in Macau outside their gaming areas. It was recognised when the related services were rendered. During the Track Record Period, the revenue generated from repair services amounted to approximately HK\$1.8 million, HK\$2.1 million and HK\$1.1 million for the two years ended 31 December 2016 and the four months ended 30 April 2017, respectively, representing approximately 3.8%, 4.0% and 5.5% of our total revenue for the respective years/period.

### **Cost of sales and services**

Our cost of sales and services represented (i) cost of Electronic Gaming Equipment and spare parts for our technical sales and distribution; (ii) staff costs in relation to technical sales and distribution and consulting and technical services; and (iii) outsourcing costs in relation to consulting and technical services and outsourcing cost to Kuawai in relation to repair services. During the Track Record Period, our repair services were outsourced to Kuawai. Our cost of sales and services remained relatively stable at approximately HK\$28.6 million, HK\$29.3 million for the two years ended 31 December 2016, respectively, and HK\$10.9 million for the four months ended 30 April 2017.

## FINANCIAL INFORMATION

The table below sets forth the breakdown of our costs of sales and services by business line for the periods indicated:

	Year ended 31 December				Four months ended 30 April			
	2015		2016		2016		2017	
	HK\$	%	HK\$	%	HK\$	%	HK\$	%
	(Unaudited)							
Technical sales and distribution	26,041,565	90.9	25,557,152	87.1	6,934,362	87.3	9,501,813	87.3
Consulting and technical services	1,069,969	3.7	2,001,273	6.8	376,768	4.7	439,124	4.0
Repair services	1,523,252	5.4	1,789,462	6.1	635,599	8.0	943,848	8.7
	<u>28,634,786</u>	<u>100.0</u>	<u>29,347,887</u>	<u>100.0</u>	<u>7,946,729</u>	<u>100.0</u>	<u>10,884,785</u>	<u>100.0</u>

Our costs of sales and services was mainly contributed by cost of technical sales and distribution which amounted to approximately HK\$26.0 million, HK\$25.6 million and HK\$9.5 million for the two years ended 31 December 2016 and the four months ended 30 April 2017, respectively; and accounted for approximately 90.9%, 87.1% and 87.3% for the respective years/period.

The table below sets forth the breakdown of our costs of sales and services by nature for the periods indicated:

	Year ended 31 December				Four months ended 30 April			
	2015		2016		2016		2017	
	HK\$	%	HK\$	%	HK\$	%	HK\$	%
	(Unaudited)							
Costs of Electronic Gaming Equipment and its spare parts	25,443,873	88.9	24,586,527	83.8	6,739,824	84.8	9,163,618	84.2
Staff costs	1,667,661	5.8	2,360,387	8.0	571,306	7.2	777,319	7.1
Outsourcing costs	1,523,252	5.3	2,400,973	8.2	635,599	8.0	943,848	8.7
	<u>28,634,786</u>	<u>100.0</u>	<u>29,347,887</u>	<u>100.0</u>	<u>7,946,729</u>	<u>100.0</u>	<u>10,884,785</u>	<u>100.0</u>

Our costs of sales and services was mainly contributed by costs of Electronic Gaming Equipment and its spare parts which amounted to approximately HK\$25.4 million, HK\$24.6 million and HK\$9.2 million for the two years ended 31 December 2016 and the four months ended 30 April 2017, respectively; and accounted for approximately 88.9%, 83.8% and 84.2% for the respective years/period.

## FINANCIAL INFORMATION

### Gross profit and gross profit margin

We adopt a cost-plus model and our Electronic Gaming Equipment is priced separately for each project. The price of Electronic Gaming Equipment we offer to our customers depends primarily on, among other things, costs of machines as quoted to us by our suppliers, our Group's expected margins, the volume of orders and the technical and consulting services involved. Our gross profit amounted to approximately HK\$19.5 million, HK\$23.2 million and HK\$9.3 million for the two years ended 31 December 2016 and the four months ended 30 April 2017, respectively, representing gross profit margin of approximately 40.6%, 44.2% and 46.1% for the respective years/period. The increase in the gross profit margin was mainly attributable to the increase in gross profit margin of technical sales and distribution of Electronic Gaming Equipment and increase in total gross profit from consulting and technical services which is of higher gross profit margin.

The table below sets forth the breakdown of our gross profit and gross profit margin by business line for the periods indicated:

	Year ended 31 December				Four months ended 30 April			
	2015		2016		2016		2017	
	<i>Gross profit margin</i>		<i>Gross profit margin</i>		<i>Gross profit margin</i>		<i>Gross profit margin</i>	
	HK\$	%	HK\$	%	HK\$	%	HK\$	%
Technical sales and distribution	15,595,193	37.5	16,285,544	38.9	5,738,922	45.3	5,996,710	38.7
Consulting and technical services	3,667,432	77.4	6,643,493	76.8	1,377,267	78.5	3,165,672	87.8
Repair services	277,369	15.4	299,310	14.3	105,851	14.3	160,833	14.6
	<u>19,539,994</u>	40.6	<u>23,228,347</u>	44.2	<u>7,222,040</u>	47.6	<u>9,323,215</u>	46.1

During the Track Record Period, a majority of our gross profit was contributed by technical sales and distribution. The table below sets forth the breakdown of our gross profit and gross profit margin by product categories of technical sales and distribution for the periods indicated:

	Year ended 31 December				Four months ended 30 April			
	2015		2016		2016		2017	
	<i>Gross profit margin</i>		<i>Gross profit margin</i>		<i>Gross profit margin</i>		<i>Gross profit margin</i>	
	HK\$	%	HK\$	%	HK\$	%	HK\$	%
ETGs	13,627,515	37.1	15,257,303	41.0	5,490,961	49.1	5,214,905	38.5
EGMs	104,088	34.5	679,035	23.5	169,949	16.4	709,094	42.3
Spare parts	1,863,590	40.8	349,206	20.1	78,012	16.9	72,711	26.2
Total	<u>15,595,193</u>	37.5	<u>16,285,544</u>	38.9	<u>5,738,922</u>	45.3	<u>5,996,710</u>	38.7

During the Track Record Period, the fluctuations of the gross profit margin of our Electronic Gaming Equipment and its spare parts sold are mainly due to different factors, among others, such as different brands, versions, designs and technical services involved.

## FINANCIAL INFORMATION

### Other income, gains and loss

Other income, gains and loss mainly represented service handling income (relating to payment of license fees for operation of certain Electronic Gaming Equipment, which were previously sold by us, by a casino operator to an Electronic Gaming Equipment manufacturer through us), administrative fee from related party primarily attributable to Kuawai mainly for sharing of office area and certain administrative services, net foreign exchange loss mainly as a result of fluctuations in Euro and others. During the Track Record Period, we shared offices areas and certain administrative services with Kuawai in order to ensure more effective communication as Kuawai provided repair services to our Group. Such arrangement was discontinued in January 2017. Our other income, gains and loss amounted to approximately HK\$1.1 million, HK\$0.9 million and HK\$0.2 million for the two years ended 31 December 2016 and the four months ended 30 April 2017, respectively. The table below sets forth the breakdown of our other income, gains and loss for the periods indicated:

	Year ended 31 December				Four months ended 30 April			
	2015		2016		2016		2017	
	HK\$	%	HK\$	%	HK\$	%	HK\$	%
	(Unaudited)							
Service handling income	1,045,400	93.7	1,081,664	119.9	384,879	89.5	286,274	162.6
Administrative fee received from related parties	103,690	9.3	87,379	9.7	29,126	6.8	-	-
Gain on disposal of property and equipment	-	-	1,942	0.2	-	-	-	-
Others	91,888	8.3	110,711	12.3	34,453	8.0	6,640	3.7
Net foreign exchange loss	(125,877)	(11.3)	(379,926)	(42.1)	(18,602)	(4.3)	(116,828)	(66.3)
	<u>1,115,101</u>	<u>100.0</u>	<u>901,770</u>	<u>100.0</u>	<u>429,856</u>	<u>100.0</u>	<u>176,086</u>	<u>100.0</u>

## FINANCIAL INFORMATION

### Operating expenses

Our operating expenses mainly comprise staff costs to our administrative staff including Directors' remuneration, business development expenses, rental expenses and others.

The following table sets forth a breakdown of our operating expenses for the periods indicated:

	Year ended 31 December				Four months ended 30 April			
	2015		2016		2016		2017	
	HK\$	%	HK\$	%	HK\$	%	HK\$	%
Staff costs	2,971,216	47.9	3,939,591	47.2	1,140,695	47.9	1,623,039	53.3
Business development expenses <sup>(Note)</sup>	1,665,393	26.9	2,329,434	27.9	762,954	32.0	468,282	15.4
Rental expenses	422,726	6.8	472,544	5.7	169,888	7.1	205,314	6.7
Auditor's remuneration	248,235	4.0	253,000	3.0	84,000	3.5	388,350	12.7
Advertising and promotion	104,565	1.7	226,990	2.7	28,437	1.2	4,439	0.1
Legal and professional fee	134,599	2.2	161,598	2.0	40,506	1.7	31,685	1.0
Depreciation	104,358	1.7	143,987	1.7	40,633	1.8	74,256	2.5
Others	550,723	8.8	812,401	9.8	113,473	4.8	254,649	8.3
	<u>6,201,815</u>	<u>100.0</u>	<u>8,339,545</u>	<u>100.0</u>	<u>2,380,586</u>	<u>100.0</u>	<u>3,050,014</u>	<u>100.0</u>

*Note:* Business development expenses primarily included travelling and accommodation expenses and entertainment expenses.

Our operating expenses amounted to approximately HK\$6.2 million, HK\$8.3 million and HK\$3.1 million for the two years ended 31 December 2016 and the four months ended 30 April 2017, respectively, which accounted for approximately 12.9%, 15.9% and 15.0% of our total revenue for the respective years/period.

### Listing expenses

Listing expenses comprise professional fees and other expenses in relation to our Listing. Our Listing expenses amounted to approximately HK\$4.3 million and HK\$5.0 million for the year ended 31 December 2016 and the four months ended 30 April 2017, respectively.

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## FINANCIAL INFORMATION

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### Income tax expense

Income tax expense represents income tax paid or payable at the applicable tax rates in accordance with the relevant laws and regulations in each tax jurisdiction we operate or domicile. We are subject to Macau Complementary Tax at a rate of 12% on the assessable income above MOP600,000 (equivalent to approximately HK\$583,000) for the Track Record Period.

We are not subject to any income tax in the Cayman Islands and the BVI pursuant to the rules and regulations in those jurisdictions.

For the two years ended 31 December 2016 and the four months ended 30 April 2017, our income tax expense was approximately HK\$1.7 million, HK\$1.9 million and HK\$0.8 million, respectively, and our effective tax rate for the respective periods was approximately 11.7%, 16.6% and 52.7%, respectively. Our effective tax rate for the year ended 31 December 2015 approximated our prevailing tax rates while the relatively higher effective tax rate for the year ended 31 December 2016 and the four months ended 30 April 2017 was mainly due to the Listing expenses which is non-deductible for tax purposes.

With respect to the fiscal years of 2011 to 2014, in addition to the Income Complementary Tax yearly declarations which were timely filed, we have on 7 April 2016 presented to the Macau Financial Services Bureau, in Portuguese, *Direcção dos Serviços de Finanças* (the “DSF”) a rectification declaring additional profit in APE Macau to reflect the reallocation of the profit arising from sales of products imported from overseas, which was booked under APE BVI for the fiscal years of 2011 to 2014, to APE Macau. Such rectification was made after having taken into consideration the advice of our Macau tax consultant which was engaged by APE Macau since 2016. During its review of our tax filings for the fiscal year of 2015, we were advised by our Macau tax consultant that it is more appropriate to book the profit from sales of products imported from overseas under APE Macau and report the relevant profit in Macau. Such rectification was accepted by the DSF which issued a note for payment for additional tax due. The additional tax in the amount of MOP917,988 was fully paid by us on 13 September 2016.

As confirmed by our Macau legal adviser, the DSF is entitled to apply a penalty of MOP50 to MOP500 for each incorrect declaration. However, the enforcement of such administration infraction is limited to two years from the date when the relevant infraction was committed. Our Macau legal adviser has further confirmed that the potential application of a penalty by the DSF has been time-barred, APE Macau has obtained a written clearance from the DSF in April 2017 which has certified that it does not owe any amount regarding any taxes and there was no past or pending enforcement procedures where it is a defendant. As such, we are of the view that the rectification of the yearly declarations for the fiscal years of 2011 to 2014 does not have a material financial or operational impact on and is immaterial to our Group. We have adopted internal control measures in order to ensure ongoing compliance with the relevant tax law in Macau. For further details, please refer to the paragraph headed “Business – Internal control and risk management” in this prospectus.

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## FINANCIAL INFORMATION

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Our Directors confirmed that, during the Track Record Period and up to the Latest Practicable Date, we had fulfilled all our income tax obligations and have not had any unresolved income tax issues or disputes with the relevant tax authorities.

### REVIEW OF HISTORICAL RESULTS OF OPERATIONS

#### Four months ended 30 April 2017 compared to the four months ended 30 April 2016

##### *Revenue*

Our revenue increased by approximately HK\$5.0 million or approximately 33.2% from approximately HK\$15.2 million for the four months ended 30 April 2016 to approximately HK\$20.2 million for the four months ended 30 April 2017. Such increase was mainly due to (i) an increase in revenue from technical sales and distribution of approximately HK\$2.8 million; and (ii) an increase in revenue from consulting and technical services of approximately HK\$1.9 million as a result of an increase in number of customers.

##### *Technical sales and distribution*

Our revenue from technical sales and distribution slightly increased from approximately HK\$12.7 million for the four months ended 30 April 2016 to approximately HK\$15.5 million for the four months ended 30 April 2017. Such increase was mainly due to the combined effect of an increase in the average price per seat of both ETGs and EGMs sold.

Our revenue from ETGs increased by approximately HK\$2.4 million or 21.2% from approximately HK\$11.2 million for the four months ended 30 April 2016 to approximately HK\$13.5 million for the four months ended 30 April 2017. Such increase is mainly due to an increase in the average price per seat sold from approximately HK\$175,000 for the four months ended 30 April 2016 to approximately HK\$242,000 for the four months ended 30 April 2017, as a result of a higher average price per seat for certain ETGs sold resulting from different product mix procured.

Our revenue from EGMs increased by approximately HK\$0.6 million or 62.1% from approximately HK\$1.0 million for the four months ended 30 April 2016 to approximately HK\$1.7 million for the four months ended 30 April 2017. Such increase is mainly due to an increase from 8 seats sold for the four months ended 30 April 2016 to 12 seats sold for the four months ended 30 April 2017 with an increase in the average price per seat sold from approximately HK\$129,000 for the four months ended 30 April 2016 to approximately HK\$140,000 for the four months ended 30 April 2017, resulting from different product procured from different brands.

Our revenue from sales of spare parts of Electronic Gaming Equipment decreased by approximately HK\$0.2 million or 39.8% from approximately HK\$0.5 million for the four months ended 30 April 2016 to approximately HK\$0.3 million for the four months ended 30 April 2017.

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## FINANCIAL INFORMATION

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### *Consulting and technical services*

Our revenue from consulting and technical services increased by approximately HK\$1.9 million or 105.5% from approximately HK\$1.8 million for the four months ended 30 April 2016 to approximately HK\$3.6 million for the four months ended 30 April 2017. Such increase is mainly due to an increase in revenue from new consulting services procured by a manufacturer of Electronic Gaming Equipment.

### *Repair services*

Our revenue from repair services increased by approximately HK\$0.4 million or 49.0% from approximately HK\$0.7 million for the four months ended 30 April 2016 to approximately HK\$1.1 million for the four months ended 30 April 2017 as a result of an increase in demand for repair services from our customers.

### *Cost of sales*

In line with an increase in revenue, our cost of sales also increased by approximately HK\$2.9 million or approximately 37.0% from approximately HK\$7.9 million for the four months ended 30 April 2016 to approximately HK\$10.9 million for the four months ended 30 April 2017. Such increase was attributable to (i) an increase in the cost of Electronic Gaming Equipment and spare parts of approximately HK\$2.4 million which was mainly due to increase in average cost per seat procured as a result of different product mix; (ii) an increase in staff costs of approximately HK\$0.2 million as a result of an increase in compensation level; and (iii) an increase in outsourcing costs of approximately HK\$0.3 million mainly due to an increase in repair services outsourced.

### *Gross profit and gross profit margin*

Our overall gross profit increased by approximately HK\$2.1 million or approximately 29.1% from approximately HK\$7.2 million for the four months ended 30 April 2016 to approximately HK\$9.3 million for the four months ended 30 April 2017 which was in line with an increase in revenue for the same period. Our overall gross profit margin remained relatively stable at approximately 47.6% for the four months ended 30 April 2016 to approximately 46.1% for the four months ended 30 April 2017.

### *Other income, gains and loss*

Other income, gains and loss decreased by approximately HK\$0.3 million or approximately 59.0% from approximately HK\$0.4 million for the four months ended 30 April 2016 to approximately HK\$0.2 million for the four months ended 30 April 2017. The decrease was mainly due to an increase in net foreign exchange loss primarily as a result of fluctuations of Euro during the four months ended 30 April 2017 and decrease in service handling income as a result of cessation of the respective arrangement in April 2017.

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## FINANCIAL INFORMATION

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### *Operating expenses*

Operating expenses increased by approximately HK\$0.7 million or approximately 28.1% from approximately HK\$2.4 million for the four months ended 30 April 2016 to approximately HK\$3.1 million for the four months ended 30 April 2017. Such increase is mainly attributable to (i) an increase in staff costs of approximately HK\$0.5 million primarily due to an increase in compensation level during the four months ended 30 April 2017; and (ii) an increase in auditor's remuneration of approximately HK\$0.3 million.

### *Income tax expense*

Our income tax expense increased by approximately HK\$0.2 million or approximately 29.7% from approximately HK\$0.6 million for the four months ended 30 April 2016 to approximately HK\$0.8 million for the four months ended 30 April 2017. The increase was mainly due to an increase in profit before tax excluding Listing expense. Our effective tax rate increased from approximately 11.1% for the four months ended 30 April 2016 to approximately 52.7% for the four months ended 30 April 2017 mainly due to the Listing expenses of approximately HK\$5.0 million incurred in the four months ended 30 April 2017 which is non-deductible for tax purposes.

### *Profit for the period*

Our profit for the period decreased by approximately HK\$4.0 million or approximately 85.4% from approximately HK\$4.7 million for the four months ended 30 April 2016 to approximately HK\$0.7 million for the four months ended 30 April 2017 mainly as a result of the Listing expenses of approximately HK\$5.0 million incurred despite our increase in profit from operations. Net profit margin, thus, decreased from approximately 30.9% for the four months ended 30 April 2016 to approximately 3.4% for the four months ended 30 April 2017. Our profit for the period excluding Listing expenses increased to approximately HK\$5.7 million for the four months ended 30 April 2017; and net profit margin slightly decreased to approximately 28.1% for the four months ended 30 April 2017.

## **The year ended 31 December 2016 compared to the year ended 31 December 2015**

### *Revenue*

Our revenue increased by approximately HK\$4.4 million or approximately 9.1% from approximately HK\$48.2 million for the year ended 31 December 2015 to approximately HK\$52.6 million for the year ended 31 December 2016. Such increase was mainly due to (i) an increase in revenue from consulting and technical services of approximately HK\$3.9 million as a result of an increase in number of customers; and (ii) a slight increase in revenue from technical sales and distribution of approximately HK\$0.2 million.

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## FINANCIAL INFORMATION

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### *Technical sales and distribution*

Our revenue from technical sales and distribution slightly increased from approximately HK\$41.6 million for the year ended 31 December 2015 to approximately HK\$41.8 million for the year ended 31 December 2016. Such increase was mainly due to the combined effect of an increase in number of seats of ETGs and EGMs sold and a decrease in the average price per seat of both ETGs and EGMs sold.

Our revenue from ETGs increased by approximately HK\$0.4 million or 1.2% from approximately HK\$36.8 million for the year ended 31 December 2015 to approximately HK\$37.2 million for the year ended 31 December 2016. Such increase is mainly due to an increase from 212 seats sold for the year ended 31 December 2015 to 224 seats sold for the year ended 31 December 2016 despite a slight decrease in the average price per seat sold from approximately HK\$173,000 for the year ended 31 December 2015 to approximately HK\$166,000 for the year ended 31 December 2016, as a result of a lower average price per seat for certain new ETGs sold.

Our revenue from EGMs increased by approximately HK\$2.6 million or 859.4% from approximately HK\$0.3 million for the year ended 31 December 2015 to approximately HK\$2.9 million for the year ended 31 December 2016. Such increase is mainly due to an increase from 2 seats sold for the year ended 31 December 2015 to 20 seats sold for the year ended 31 December 2016 despite a slight decrease in the average price per seat sold from approximately HK\$151,000 for the year ended 31 December 2015 to approximately HK\$145,000 for the year ended 31 December 2016, resulting from different product mix procured from different brands.

Our revenue from sales of spare parts of Electronic Gaming Equipment decreased by approximately HK\$2.8 million or 61.9% from approximately HK\$4.6 million for the year ended 31 December 2015 to approximately HK\$1.7 million for the year ended 31 December 2016. Such decrease is mainly due to the preferences of certain of our customers to replace new machines than to refurbish machines with spare parts.

### *Consulting and technical services*

Our revenue from consulting and technical services increased by approximately HK\$3.9 million or 82.5% from approximately HK\$4.7 million for the year ended 31 December 2015 to approximately HK\$8.6 million for the year ended 31 December 2016. Such increase is mainly due to (i) an increase in revenue from new contracts being entered into with certain casino operators in relation to their opening of new casinos; and (ii) an increase in revenue from new contracts being entered into with certain manufacturers of Electronic Gaming Equipment.

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## FINANCIAL INFORMATION

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### *Repair services*

Our revenue from repair services increased by approximately HK\$0.3 million or 16.0% from approximately HK\$1.8 million for the year ended 31 December 2015 to approximately HK\$2.1 million for the year ended 31 December 2016 as a result of an increase in demand for repair services from our customers.

### *Cost of sales*

In line with an increase in revenue, our cost of sales also increased by approximately HK\$0.7 million or approximately 2.5% from approximately HK\$28.6 million for the year ended 31 December 2015 to approximately HK\$29.3 million for the year ended 31 December 2016. Such increase was attributable to (i) an increase in staff costs of approximately HK\$0.7 million as a result of an increase in compensation level; and (ii) an increase in outsourcing costs of approximately HK\$0.9 million mainly due to an increase in repair services outsourced. Such increase was partially offset by a decrease in the cost of Electronic Gaming Equipment and spare parts of approximately HK\$0.9 million mainly as a result of a decrease in the sales of spare parts.

### *Gross profit and gross profit margin*

Our overall gross profit increased by approximately HK\$3.7 million or approximately 18.9% from approximately HK\$19.5 million for the year ended 31 December 2015 to approximately HK\$23.2 million for the year ended 31 December 2016 which was in line with an increase in revenue for the same period. Our overall gross profit margin increased from approximately 40.6% for the year ended 31 December 2015 to approximately 44.2% for the year ended 31 December 2016, mainly due to an increase in the gross profit margin from technical sales and distribution and an increase in the total gross profit of consulting and technical services which is of higher gross profit margin.

### *Other income, gains and loss*

Other income, gains and loss decreased by approximately HK\$0.2 million or approximately 19.1% from approximately HK\$1.1 million for the year ended 31 December 2015 to approximately HK\$0.9 million for the year ended 31 December 2016. The decrease was mainly due to an increase in net foreign exchange loss primarily as a result of fluctuations of Euro during the year ended 31 December 2016.

### *Operating expenses*

Operating expenses increased by approximately HK\$2.1 million or approximately 34.5% from approximately HK\$6.2 million for the year ended 31 December 2015 to approximately HK\$8.3 million for the year ended 31 December 2016. Such increase is mainly attributable to (i) an increase in staff costs of approximately HK\$1.0 million primarily due to an increase in compensation level as well as the number of staff during the year ended 31 December 2016; and (ii) an increase in business development expenses of approximately HK\$0.7 million primarily for our business relations.

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## FINANCIAL INFORMATION

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### *Income tax expense*

Our income tax expense increased by approximately HK\$0.2 million or approximately 11.9% from approximately HK\$1.7 million for the year ended 31 December 2015 to approximately HK\$1.9 million for the year ended 31 December 2016. The increase was mainly due to an increase in profit before taxation excluding listing expense. Our effective tax rate increased from approximately 11.7% for the year ended 31 December 2015 to approximately 16.6% for the year ended 31 December 2016 mainly due to the Listing expenses of approximately HK\$4.3 million incurred in the year ended 31 December 2016 which is non-deductible for tax purposes.

### *Profit for the year*

Our profit for the year decreased by approximately HK\$3.2 million or approximately 25.1% from approximately HK\$12.8 million for the year ended 31 December 2015 to approximately HK\$9.6 million for the year ended 31 December 2016 mainly as a result of the Listing expenses of approximately HK\$4.3 million incurred despite our increase in profit from operations. Net profit margin, thus, decreased from approximately 26.5% for the year ended 31 December 2015 to approximately 18.2% for the year ended 31 December 2016. Our profit for the year excluding Listing expenses increased to approximately HK\$13.9 million for the year ended 31 December 2016; and net profit margin remained stable at approximately 26.4% for the year ended 31 December 2016.

## LIQUIDITY AND CAPITAL RESOURCES

Our use of cash primarily related to operating activities and capital expenditure. We have historically financed our operations primarily through a combination of cash flow generated from our operation and proceeds from issue of shares.

In managing our liquidity risk, we monitor and maintain a level of cash and cash equivalents deemed adequate by our management to finance our operations and mitigate the effects of unexpected fluctuations in cash flows, sufficient bank and cash balance. Our Group has built an appropriate liquidity risk management framework for the management of its short, medium and long-term funding and liquidity management requirements. We regularly monitor the repayment dates of financial liabilities, including trade payables, other payables and accrued charges, etc to match with financial resources available to us from time to time. Our Group manages liquidity risk by maintaining adequate financial resources, including existing cash and bank balances and operating cash flows.

We currently expect that there will not be any material change in the sources and uses of cash of our Group, except that we would have additional funds from proceeds of the Share Offer for implementing our future plans as detailed in the section headed “Statement of business objectives and use of proceeds” in this prospectus.

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## FINANCIAL INFORMATION

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### Cash Flow

The following table sets forth a summary of our consolidated cash flow for the periods indicated:

	<b>Year ended</b>		<b>Four months</b>	
	<b>31 December</b>		<b>ended 30 April</b>	
	<b>2015</b>	<b>2016</b>	<b>2016</b>	<b>2017</b>
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
	(Unaudited)			
Net cash from (used in) operating activities	15,346,140	6,023,417	(1,905,154)	13,034,954
Net cash (used in) from investing activities	(9,363,561)	2,280,174	2,659,239	(53,599)
Net cash used in financing activities	<u>(4,705,650)</u>	<u>(7,409,786)</u>	<u>–</u>	<u>(8,022,683)</u>
Net increase in cash and cash equivalents	1,276,929	893,805	754,085	4,958,672
Cash and cash equivalents at beginning of year/period	<u>13,539,873</u>	<u>14,816,802</u>	<u>14,816,802</u>	<u>15,710,607</u>
Cash and cash equivalents at end of year/period	<u><u>14,816,802</u></u>	<u><u>15,710,607</u></u>	<u><u>15,570,887</u></u>	<u><u>20,669,279</u></u>

We generated net cash inflow of approximately HK\$1.3 million, HK\$0.9 million and HK\$5.0 million for the two years ended 31 December 2016 and the four months ended 30 April 2017, respectively.

### *Operating activities*

Net cash generated from or used in operating activities comprises profit before taxation adjusted for non-cash items, such as depreciation, and adjusted for the change in working capital. During our Track Record Period, our cash flow from operating activities was principally from technical sales and distribution of Electronic Gaming Equipment and its spare parts, consulting and technical services and repair services. Our cash used in operating activities was principally (i) resulting from increase in trade receivables, other receivables, deposits and prepayments, and (ii) for payment of trade payables for purchases of Electronic Gaming Equipment.

For the year ended 31 December 2015, our net cash generated from operating activities of approximately HK\$15.3 million was a combined result of operating cash inflow before movements in working capital of approximately HK\$14.6 million, which was in line with our operations, and movements in working capital of approximately HK\$0.8 million. Change in working capital primarily reflected a decrease in trade and other receivables as a result of settlement of trade receivables partially offset by an increase in inventories as a result of finished goods in transit as at 31 December 2015 and a decrease in trade and other payables.

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For the year ended 31 December 2016, our net cash generated from operating activities of approximately HK\$6.0 million was a combined result of operating cash inflow before movements in working capital of approximately HK\$11.7 million, income tax paid of approximately HK\$2.5 million and movements in working capital of approximately HK\$3.1 million. Change in working capital primarily reflected an increase in trade and other receivables mainly due to an increase in sales partially offset by a decrease in inventories as there was no finished goods in transit as at 31 December 2016.

For the four months ended 30 April 2017, our net cash generated from operating activities of approximately HK\$13.0 million was a combined result of operating cash inflow before movements in working capital of approximately HK\$1.5 million and movements in working capital of approximately HK\$11.5 million. Change in working capital primarily reflected an increase in trade and other payables mainly due to an increase in receipt in advances for orders from customers to cater for their business needs.

### *Investing activities*

For the year ended 31 December 2015, our net cash used in investing activities of approximately HK\$9.4 million primarily reflected advance to shareholders of approximately HK\$9.3 million and purchase of property and equipment of approximately HK\$0.1 million.

For the year ended 31 December 2016, our net cash generated from investing activities of approximately HK\$2.3 million primarily reflected repayments from shareholders of approximately HK\$3.4 million partially offset by advances to shareholders of approximately HK\$0.6 million and deposit paid for purchase of a motor vehicle of approximately HK\$0.3 million.

For the four months ended 30 April 2017, our net cash used in investing activities of approximately HK\$54,000 primarily reflected purchase of computer equipment.

### *Financing activities*

For the year ended 31 December 2015, our net cash used in financing activities of approximately HK\$4.7 million primarily reflected payment of dividends of approximately HK\$7.0 million partially offset by proceeds from issue of shares of approximately HK\$2.8 million.

For the year ended 31 December 2016, our net cash used in financing activities of approximately HK\$7.4 million primarily reflected payment of dividends of approximately HK\$6.0 million and payment of Listing expenses of approximately HK\$1.4 million.

For the four months ended 30 April 2017, our net cash used in financing activities of approximately HK\$8.0 million primarily reflected payment of dividends of approximately HK\$6.5 million and payment of Listing expenses of approximately HK\$1.5 million.

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### Net Current Assets

We recorded net current assets of HK\$16.6 million, HK\$13.2 million, HK\$7.4 million and HK\$15.2 million as at 31 December 2015, 31 December 2016, 30 April 2017 and 31 August 2017, respectively. The table below sets forth our current assets and current liabilities as of the dates indicated:

	<b>As at 31 December</b>		<b>As at 30 April</b>	<b>As at 31 August</b>
	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2017</b>
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
<b>Current Assets</b>				
Inventories	2,791,463	284,554	295,443	815,775
Trade and other receivables	3,930,992	11,245,002	10,708,651	11,643,176
Amount due from shareholders	9,330,829	–	–	–
Fixed bank deposits	39,152	39,640	40,077	40,077
Bank balances and cash	<u>14,816,802</u>	<u>15,710,607</u>	<u>20,669,279</u>	<u>22,986,501</u>
	<u>30,909,238</u>	<u>27,279,803</u>	<u>31,713,450</u>	<u>35,485,529</u>
<b>Current Liabilities</b>				
Trade and other payables	11,038,435	10,486,436	20,854,214	15,251,100
Amounts due to shareholders	–	26,179	–	–
Amounts due to related parties	745,067	1,660,117	786,116	1,113,599
Tax payables	<u>2,528,483</u>	<u>1,883,016</u>	<u>2,644,287</u>	<u>3,947,255</u>
	<u>14,311,985</u>	<u>14,055,748</u>	<u>24,284,617</u>	<u>20,311,954</u>
<b>Net Current Assets</b>	<u><u>16,597,253</u></u>	<u><u>13,224,055</u></u>	<u><u>7,428,833</u></u>	<u><u>15,173,575</u></u>

Our net current assets decreased from approximately HK\$16.6 million as at 31 December 2015 to approximately HK\$13.2 million as at 31 December 2016. The decrease was primarily due to (i) a decrease in amounts due from shareholders of approximately HK\$9.3 million; and (ii) a decrease in inventories of approximately HK\$2.5 million mainly as a result of a decrease in finished goods in transit as at 31 December 2016 compared to that of 31 December 2015. The decrease was partially offset by an increase in trade and other receivables of approximately HK\$7.3 million.

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Our net current assets decreased to approximately HK\$7.4 million as at 30 April 2017 mainly due to increase in trade and other payables of approximately HK\$10.4 million as a result of increase in (i) receipts in advance of approximately HK\$6.5 million for orders from customers in order to cater their business needs; and (ii) accrued Listing expenses of HK\$3.6 million.

Our net current assets then increased to approximately HK\$15.2 million as at 31 August 2017 mainly due to increase in bank balances and cash and decrease in trade and other payables.

### Working Capital

Our Directors confirm that, taking into consideration the financial resources presently available to us, including anticipated cash flow from our operating activities, existing cash and cash equivalents and the estimated net proceeds from the Share Offer, we have sufficient working capital for our present requirements and for at least the next 12 months from the date of this prospectus.

## DESCRIPTION OF SELECTED ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

### Inventories

Our inventories principally comprise of (i) finished goods in transit, being mainly Electronic Gaming Equipment in transit to our customers; and (ii) spare parts for our after sales services. The balance of our inventories decreased from approximately HK\$2.8 million as at 31 December 2015 to approximately HK\$0.3 million as at 31 December 2016 mainly due to three Electronic Gaming Equipment in transit as at 31 December 2015. The balance then remained stable at approximately HK\$0.3 million as at 30 April 2017. We generally keep our inventories at a low level except for certain finished goods in transit which have not been delivered to our customers. The following table sets forth the breakdown of our inventories for the dates indicated:

	<b>As at 31 December</b>		<b>As at</b>
	<b>2015</b>	<b>2016</b>	<b>30 April</b>
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Finished goods in transit	2,437,028	–	–
Spare parts	354,435	284,554	295,443
	<u>2,791,463</u>	<u>284,554</u>	<u>295,443</u>

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We regularly review our inventory levels for slow moving inventory, obsolescence or declines in market value. Allowance is made against when the net realisable value, which is based primarily of the latest market price estimated by the management, of inventories falls below the cost or any of the inventories is identified obsolete. During the Track Record Period, we only recorded minimal amount of provision for impairment of inventories of approximately HK\$88,000 for the year ended 31 December 2016 as the spare parts are out-dated. The following table sets forth the turnover days of our spare parts for the periods indicated.

	<b>Year ended 31 December</b>		<b>Four months ended 30 April</b>
	<b>2015</b>	<b>2016</b>	<b>2017</b>
Spare parts turnover days <sup>(Note)</sup>	24	84	170

*Note:* Spare parts turnover days is calculated using the average balance of spare parts divided by the cost of our spare parts for the relevant period and multiplied by 365/120 days in the relevant period. Average balance of inventory is calculated as the sum of the beginning and the ending balance for the relevant period, divided by two.

Our turnover days is merely calculated for the balances of our spare parts but not for finished goods in transit as the latter is not considered regularly recorded as at the period end. We maintain an inventory of spare parts which we believe are commonly used and are important for timely technical support and help minimise machine downtime. Thus, our turnover days of spare parts may not be indicative as at different period ends. Our turnover days of spare parts increased from 24 days for the year ended 31 December 2015 to 84 days for the year ended 31 December 2016 and further to 170 days for the four months ended 30 April 2017 mainly as we did not keep any inventories as at 31 December 2014 but began keeping spare parts in the year ended 31 December 2015 in order to cater for expected demand for repair or sales in the coming period.

As at 31 August 2017, approximately HK\$14,000 of our inventories as at 30 April 2017 had been utilised or sold.

### Trade receivables

The following table sets forth our trade receivables as at the dates indicated:

	<b>As at 31 December</b>		<b>As at 30 April</b>
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Trade receivables	2,612,674	7,523,472	3,692,887

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## FINANCIAL INFORMATION

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Our trade receivables primarily relate to receivables from sales of our products and services to our customers. Our trade receivables increased from approximately HK\$2.6 million as at 31 December 2015 to approximately HK\$7.5 million as at 31 December 2016 which was mainly due to an increase in the sales of Electronic Gaming Equipment in the fourth quarter of the year ended 31 December 2016 compared to that of the year ended 31 December 2015. Our trade receivables then decreased to approximately HK\$3.7 million as at 30 April 2017 as a result of settlement from our customers during the period.

During the Track Record Period, we conducted our sales mainly by credit sales. Before accepting any new customer, our Group assesses the potential customer's credit quality and defines credit limits by customer. Credit limits attributable to customers are reviewed regularly. We generally grant an average period of 30 days from the month end of date of invoice for our major customers. Due dates are determined based on the agreed payment dates as stipulated in the relevant purchase order or consultancy agreement. We seek to maintain strict control over our outstanding receivables to minimise credit risk. We typically do not require any collateral as security.

The following table sets forth the aging analysis (based on dates of sales) of our trade receivables which are past due but not impaired, as at the dates indicated:

	<b>As at 31 December</b>		<b>As at</b>
	<b>2015</b>	<b>2016</b>	<b>30 April</b>
	<i>HK\$</i>	<i>HK\$</i>	<b>2017</b>
			<i>HK\$</i>
Within 30 days	567,307	900,922	1,643,158
31-60 days	59,714	3,530,825	901,854
61-90 days	820,601	1,286	181,741
Over 90 days	76,111	–	595,685
	<u>1,523,733</u>	<u>4,433,033</u>	<u>3,322,438</u>
<b>Total</b>	<u>1,523,733</u>	<u>4,433,033</u>	<u>3,322,438</u>

Our policy for impairment on trade receivables due from third parties is based on an evaluation of collectability and aging analysis of the receivables that requires the use of judgment and estimates of our management. Provisions would apply to the receivables when there are events or changes in circumstances which indicate that the balances may not be collectible. We closely review the trade receivables balances and any overdue balances on an ongoing basis, and assessments are made by our management on the collectability of overdue balances. We did not experience any material payment defaults from our customers during the Track Record Period. We have not recognised any allowance for doubtful debts for the Track Record Period. Included in our trade receivables were debtors with aggregate carrying amount of approximately HK\$1.5 million, HK\$4.4 million and HK\$3.3 million which are past due as at 31 December 2015, 31 December 2016 and 30 April 2017, respectively, for which we have not provided for impairment loss as there has not been a significant change in credit quality of the trade receivable and the amounts are still considered recoverable.

## FINANCIAL INFORMATION

The table below sets forth our turnover days of trade receivables as at the dates indicated:

	<b>Year ended 31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>Four months ended 30 April 2017</b>
Turnover days of trade receivables <sup>(Note)</sup>	41	35	33

*Note:* Turnover days of trade receivables is calculated using the average balance of trade receivables divided by total sale for the relevant period and multiplied by 365/120 days in the relevant period. Average balance of trade receivables is calculated as the sum of the beginning and the ending balance for the relevant period, divided by two.

Our trade receivables turnover days decreased from approximately 41 days to 35 days during the Track Record Period mainly due to a higher balance of trade receivables recorded for the year ended 31 December 2014 due to relatively higher sales in the fourth quarter for the year ended 31 December 2014. The turnover days then remained stable at 33 days for the four months ended 30 April 2017.

As at 31 August 2017, approximately 75.2% of our trade receivables outstanding as at 30 April 2017 have been settled.

### Other receivables

Our other receivables mainly comprise purchase deposits for Electronic Gaming Equipment for sales and for trial, prepaid Listing expenses, prepayments for insurance expenses, rental and utilities deposits and other receivables. The following sets forth a breakdown on our other receivables as at the dates indicated:

	<b>As at 31 December</b>		<b>As at 30 April</b>
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Purchase and trial product deposits	316,789	1,127,076	2,448,784
Prepaid Listing expenses	–	1,479,950	3,056,236
Prepayment and deposits	314,775	187,606	199,610
Other receivables	686,754	926,898	1,311,134
	1,318,318	3,721,530	7,015,764

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Our other receivables increased from approximately HK\$1.3 million as at 31 December 2015 to approximately HK\$3.7 million as at 31 December 2016 mainly due to (i) prepaid Listing expenses of approximately HK\$1.5 million as at 31 December 2016; (ii) an increase in purchase and trial product deposits of approximately HK\$0.8 million; and (iii) other receivables of approximately HK\$0.2 million as a result of service handling fee receivables in relation to previous sales of Electronic Gaming Equipment to a casino operator. Our other receivables then increased to approximately HK\$7.0 million as at 30 April 2017 as a result of (i) an increase in prepaid Listing expenses of approximately HK\$1.6 million; and (ii) an increase in purchase and trial product deposits of approximately HK\$1.3 million for securing purchase or trial of products.

### Amounts due from/to shareholders

We recorded amounts due from shareholders of approximately HK\$9.3 million and amounts due to shareholders of approximately HK\$26,000 as at 31 December 2015 and 2016, respectively. The amounts mainly arose from advances from/to our shareholders. During the year ended 31 December 2015, we prepaid to our shareholders an amount of approximately HK\$9.3 million which was intended for dividend payment as anticipated by shareholders taking into account the accumulated profit as at 31 December 2015, and the declaration of dividend is subject to finalisation of the 2015 financial statements. In January 2016, our shareholders repaid approximately HK\$2.9 million to our Group as the management decided to keep more funds for our Group's business development. During the year ended 31 December 2016, we provided further advances of approximately HK\$0.6 million to our shareholders. The amounts due from our shareholders were settled (i) as to approximately HK\$6.5 million out of the HK\$12.5 million declared dividend in September 2016; and (ii) as to the remaining balance by payment from our shareholders in December 2016.

The amounts due from/to shareholders were unsecured, interest-free, repayable on demand and are non-trade in nature. All the amounts due to shareholders as at 31 December 2016 has been settled before the Listing.

### Trade payables

The following table sets forth the components of our trade payables as at the dates indicated:

	<b>As at 31 December</b>		<b>As at</b>
	<b>2015</b>	<b>2016</b>	<b>30 April</b>
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Trade payables	<u>8,593,815</u>	<u>7,873,294</u>	<u>7,747,012</u>

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Our trade payables primarily consist of balances related to our suppliers for purchases of Electronic Gaming Equipment. Our trade payables remained relatively stable at approximately HK\$8.6 million as at 31 December 2015 and approximately HK\$7.9 million as at 31 December 2016. Our trade payables then remained relatively stable at approximately HK\$7.7 million as at 30 April 2017.

Our suppliers generally offer us trade credit periods from 30 to 60 days. The table below sets forth, as at the end of the reporting periods indicated, the aging analysis of our trade payables (based on invoice date or date of cost incurred, if earlier):

	<b>As at 31 December</b>		<b>As at 30 April</b>
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Within 30 days	1,229,545	1,174,225	46,236
31-90 days	234,231	3,858,096	7,700,558
Over 90 days	7,130,039	2,840,973	218
	<u>8,593,815</u>	<u>7,873,294</u>	<u>7,747,012</u>

The following table sets forth our turnover days of trade payables for the periods indicated:

	<b>Year ended 31 December</b>		<b>Four months ended 30 April</b>
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	Turnover days of trade payables <sup>(Note)</sup>	<u>160</u>	<u>122</u>

*Note:* Turnover days of trade payables is calculated using the average balance of trade payables divided by cost of machines and spare parts for the relevant period and multiplied by 365/120 days in the relevant period. Average balance of trade payables is calculated as the sum of the beginning and the ending balance for the relevant period, divided by two.

Our trade payables turnover days decreased from 160 days to 122 days and to 102 days during the Track Record Period resulting from relatively higher trade payables recorded as at 31 December 2014 due to casinos opening in 2015. Our turnover days during the Track Record Period are higher than the credit period granted by our creditors mainly due to relatively higher purchase made during the second half of 2014 and 2016.

As at 15 July 2017, all of our trade payables outstanding as at 30 April 2017 have been settled.

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### Other payables

Our other payables mainly comprised receipts in advance for Electronic Gaming Equipment and consulting and technical services from our customers, accrued charges for the Listing, audit fee expenses, salaries payables and other office expenses. The following sets forth a breakdown of our other payables as at the dates indicated:

	<b>As at 31 December</b>		<b>As at</b>
	<b>2015</b>	<b>2016</b>	<b>30 April</b>
	<i>HK\$</i>	<i>HK\$</i>	<b>2017</b>
			<i>HK\$</i>
Receipt in advance	1,822,804	1,500,248	7,984,484
Payables for Listing expenses	–	750,749	4,386,345
Other payables and accrued expenses	621,816	362,145	736,373
	<u>2,444,620</u>	<u>2,613,142</u>	<u>13,107,202</u>

Our other payables remained relatively stable at approximately HK\$2.4 million, HK\$2.6 million as at 31 December 2015 and 2016, respectively, which was mainly attributable to the combined effect of a decrease in receipt in advance and an increase in accrued expenses for the Listing. The balance then increased to approximately HK\$13.1 million as at 30 April 2017 mainly due to (i) an increase in receipt in advance of approximately HK\$6.5 million for orders from customers in order to cater their business needs; and (ii) an increase in payables for Listing expenses of approximately HK\$3.6 million. As at 31 August 2017, all of the receipts in advance as at 30 April 2017 was recognised as our sales.

### Amounts due to related parties

Our amounts due to related parties represented (i) net payables to Tai Pong Fat for rental and other expenses netting with receivable of administrative fee which amounted to approximately HK\$0.1 million, HK\$9,000 and HK\$10,000 as at 31 December 2015, 31 December 2016 and 30 April 2017, respectively; and (ii) trade payable for repair services and purchase of spare parts to Kuawai netted with the trade receivable of sales of spare parts and receivable of administrative fee, of which the net amount was approximately HK\$0.6 million, HK\$1.7 million and HK\$0.8 million as at 31 December 2015, 31 December 2016 and 30 April 2017, respectively. The amounts were unsecured, interest-free and repayable within 120 days. All the amounts due to related parties which are of trade-nature will be settled in accordance with trading terms.

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### CAPITAL EXPENDITURE AND COMMITMENT

#### Capital expenditure

Our capital expenditure for the two years ended 31 December 2016 and the four months ended 30 April 2017 was approximately HK\$0.1 million, HK\$0.3 million and HK\$0.4 million, respectively, which primarily related to the purchase of motor vehicles, computer and furniture and fixture for our office. We have financed our capital expenditure primarily through cash flow generated from operating activities. We expect the capital expenditure for the two years ending 31 December 2018 to be approximately HK\$4.0 million and HK\$6.4 million, respectively, mainly for leasing machines and purchase of fixed assets and software for our operations.

#### Operating lease commitments

As at the end of the reporting periods during the Track Record Period, we had commitments for future minimum lease payments in respect of certain of our premises under non-cancellable operating lease arrangements, which fall due as follows:

	As at 31 December		As at
	2015	2016	30 April
	HK\$	HK\$	2017
			HK\$
Within one year	208,800	92,792	590,772
In the second to fifth year	79,200	–	–
	<u>288,000</u>	<u>92,792</u>	<u>590,772</u>

#### Capital commitments

As at the end of the reporting periods during the Track Record Period, our Group had no capital commitments which were not provided for in our consolidated financial information.

### PROPERTY INTERESTS

Our Directors confirm that, as at 30 April 2017, there were no circumstances that would give rise to a disclosure requirement under Rules 8.01 to 8.36 of the GEM Listing Rules. As at 30 April 2017, our property interests do not form part of our property activities and no single property interest that forms part of our non-property activities has a carrying amount of 15% or more of our total assets.

### INDEBTEDNESS

During the Track Record Period and as at 31 December 2015, 31 December 2016, 30 April 2017 and 31 August 2017, being the latest practicable date for the purpose of the indebtedness statements, we have no bank borrowings. No related covenant was noted at the same periods.

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### Contingent liabilities

As at 31 August 2017, being the latest practicable date for the purpose of the indebtedness statement, apart from intra-group liabilities, our Group did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance leases or hire purchases commitments, guarantees or other material contingent liabilities.

### OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENT

During the Track Record Period and up to the Latest Practicable Date, our Group had not entered into any material off-balance sheet commitments and arrangements.

### RELATED PARTY TRANSACTIONS

With respect to the related party transactions set forth in note 27 in the Accountants' Report set out in Appendix I to this prospectus, our Directors are of the view, and the Sole Sponsor concurs that, these transactions were conducted on terms comparable to those offered by Independent Third Parties or according to market price or actual costs incurred (as the case may be) and were fair and reasonable and in the interest of our Shareholders as a whole.

### KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios as at each of the dates indicated:

	Year ended 31 December		Four months ended 30 April	
	2015	2016	2016	2017
Gross Profit Margin (%) <sup>(1)</sup>	40.6	44.2	47.6	46.1
Net Profit Margin (%) <sup>(2)</sup>	26.5	18.2	30.9	3.4
Return on equity (%) <sup>(3)</sup>	75.7	68.6	N/A	25.3
Return on total assets (%) <sup>(4)</sup>	40.9	34.2	N/A	6.3
Current ratio <sup>(5)</sup>	2.2	1.9	N/A	1.3
Quick ratio <sup>(6)</sup>	2.0	1.9	N/A	1.3
Gearing ratio (%) <sup>(7)</sup>	N/A	N/A	N/A	N/A
Net debt to equity ratio <sup>(8)</sup>	N/A	N/A	N/A	N/A

*Notes:*

1. Gross profit margin for each of the two years ended 31 December 2016 and the four months ended 30 April 2017 was calculated on gross profit divided by revenue for the respective period. Please refer to the paragraph headed "Review of historical results of operations" in this section above for more details on our gross profit margins.
2. Net profit margin for each of the two years ended 31 December 2016 and the four months ended 30 April 2017 was calculated on net profit for the year divided by revenue for the respective period. Please refer to the paragraph headed "Review of historical results of operations" in this section above for more details on our net profit margins.

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3. Return on equity is calculated by dividing profit for the year by total equity of the respective year/period and multiplying the resulting value by 100% (profit for the four months ended 30 April 2017 has been annualised for calculations).
4. Return on assets is calculated by dividing profit for the year by total assets of the respective year/period and multiplying the resulting value by 100% (profit for the four months ended 30 April 2017 has been annualised for calculations).
5. Current ratios is calculated as the total current assets divided by the total current liabilities.
6. Quick ratio is calculated as total current assets less inventories and divided by total current liabilities.
7. Gearing ratio is calculated as the total debt divided by total equity and multiplied by 100%.
8. Net debt to equity ratios is calculated as total borrowings net of cash and cash equivalents and restricted cash, and divided by total equity and multiplied by 100%.

### **Return on equity**

Our return on equity decreased from approximately 75.7% for the year ended 31 December 2015 to approximately 68.6% for the year ended 31 December 2016 and further to 25.3% for the four months ended 30 April 2017, primarily due to Listing expenses of approximately HK\$4.3 million and HK\$5.0 million, respectively incurred for the year ended 31 December 2016 and the four months ended 30 April 2017 despite an increase in profit from operation. Thus, our return on equity excluding Listing expenses for the year ended 31 December 2016 increased to approximately 76.1% as a result of an increase in profit from operations.

### **Return on total assets**

Our return on total assets decreased from approximately 40.9% for the year ended 31 December 2015 to approximately 34.2% for the year ended 31 December 2016 and further to 6.3% for the four months ended 30 April 2017, primarily due to Listing expenses of approximately HK\$4.3 million and HK\$5.0 million, respectively incurred for the year ended 31 December 2016 and the four months ended 30 April 2017 despite an increase in profit from operation. Thus, our return on total assets excluding Listing expenses for the year ended 31 December 2016 increased to approximately 49.6% as a result of an increase in profit from operations.

### **Current ratio**

Our current ratio was relatively stable at approximately 2.2 and 1.9 as at 31 December 2015 and 2016, respectively. The current ratio then decreased to 1.3 as at 30 April 2017 primarily due to increase in other payables as a result of increase in receipt in advances from our customers.

### **Quick ratio**

Our quick ratio was relatively stable at approximately 2.0 and 1.9 as at 31 December 2015 and 2016, respectively. The quick ratio then decreased to 1.3 as at 30 April 2017 primarily due to increase in other payables as a result of increase in receipt in advances from our customers.

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### **Gearing ratio and net debt to equity ratio**

During the Track Record Period, our Group did not have any interest-bearing borrowings as at each reporting date. Thus, neither the gearing ratio nor the net debt to equity ratio was applicable to our Group.

### **QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS**

We are exposed to market risks from changes in market rates and prices, such as interest rates, credit and liquidity.

Details of the risk to which we are exposed are set out in note (7b) to the Accountants' Report, the text of which is set out in Appendix I to this prospectus.

### **DIVIDENDS**

For the two years ended 31 December 2016 and the four months ended 30 April 2017, dividends of approximately HK\$7.0 million, HK\$12.5 million and HK\$6.5 million, respectively were declared and paid by APE BVI to its shareholders. However, this should not be used as a reference or basis to determine the level of dividend that may be declared or paid by us in the future. We do not intend to determine any expected dividend payout ratio after Listing since our priority is to use our earnings for business development and expansion of customer base in the interest of our Shareholders as a whole. Our dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by us in the future.

The recommendation of the payment of dividend is subject to the absolute discretion of our Board, and, after Listing, any declaration of final dividend for the year will be subject to the approval of our Shareholders. Our Group does not have any dividend policy. Our Directors may recommend a payment of dividend in the future after taking into account our operations, earnings, financial condition, cash requirements and availability, capital expenditure and future development requirements and other factors as it may deem relevant at such time. Any declaration and payment as well as the amount of the dividend will be subject to our constitutional documents and the Companies Law, including the approval of our Shareholders.

Any distributable profits that are not distributed in any given year will be retained and available for distribution in subsequent years. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in our operations.

### **DISTRIBUTABLE RESERVES**

Our Company was incorporated on 22 February 2017 and is an investment holding company. There were no reserves available for distribution to our Shareholders as at the Latest Practicable Date.

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## FINANCIAL INFORMATION

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### LISTING EXPENSES

We expect to incur a total of HK\$24.8 million of Listing expenses (assuming an Offer Price of HK\$0.30, being the mid-point of the indicative Offer Price range between HK\$0.24 and HK\$0.36, and assuming that the Offer Size Adjustment Option is not exercised) until the completion of the Share Offer, of which HK\$4.3 million and HK\$5.0 million was charged to our consolidated statements of profit or loss and other comprehensive income for the year ended 31 December 2016 and the four months ended 30 April 2017, respectively, HK\$7.0 million is expected to be charged to our consolidated statements of profit or loss and other comprehensive income for the period from 1 May 2017 to 31 December 2017, and HK\$8.5 million is directly attributable to the issue of the Shares to the public and to be capitalised. Listing expenses represent professional fees and other fees incurred in connection with the Listing, including underwriting commissions. The Listing expenses above are the best estimate as of the Latest Practicable Date and for reference only and the actual amount may differ from this estimate.

### UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

For our unaudited pro forma adjusted net tangible assets, please refer to the section headed “Unaudited pro forma financial information” set out in Appendix II to this prospectus.

### DISCLOSURE REQUIRED UNDER THE GEM LISTING RULES

Our Directors confirm that as at the Latest Practicable Date, there were no circumstances that would give rise to the disclosure requirements under Rules 17.15 to 17.21 of the GEM Listing Rules.

### MATERIAL ADVERSE CHANGE

The impact of the Listing expenses on our consolidated statements of profit or loss has posted a material adverse change in the financial or trading position or prospect of our Group since 30 April 2017 (being the date of the latest audited consolidated financial statements were made up). Prospective investors should be aware of the impact of the Listing expenses on the financial performance of our Group for the year ending 31 December 2017.

Save as disclosed above, our Directors have confirmed, after performing all the due diligence work which the Directors consider appropriate, that save as disclosed under the paragraph headed “Summary and highlights – Recent development” in this prospectus, there is no event which could materially affect the information shown in our consolidated financial information included in the Accountants’ Report set out in Appendix I to this prospectus since 30 April 2017, and as of the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects.

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## **STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS**

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### **BUSINESS OBJECTIVE**

The principal business objectives of our Group are to further strengthen our position as an Electronic Gaming Equipment technical solution provider in order to broaden our income source, expand our customer base, achieve sustainable growth and create long-term shareholder's value.

### **FUTURE PLANS**

Please refer to the paragraph headed "Business – Our strategies" in this prospectus for a detailed description of our business strategies and future plans.

### **REASONS FOR THE SHARE OFFER AND BENEFITS OF LISTING**

Our Directors believe that the Listing will strengthen our position as an Electronic Gaming Equipment technical solution provider. As our Group grows and expands along with the growth of the gaming industry in Macau, our Directors are of the view that additional capital is required for:

- securing more trial products and increasing sales;
- capturing future opportunities in the gaming market by leasing Electronic Gaming Equipment to casino operators in Macau;
- capitalising on the potential demand in South East Asia for refurbished Electric Gaming Equipment;
- expanding our sales and marketing team and technical team;
- moving to new office premises with workshop and warehouse; and
- improving our operating efficiency through new ERP system and purchasing of tools and equipment.

With respect to our plan to expand our customer base and broaden our revenue stream by leasing Electronic Gaming Equipment and reselling refurbished Electronic Gaming Equipment, based on the best estimation of our Directors, it is expected that the proportion of revenue to be generated from leasing Electronic Gaming Equipment for the years ended 31 December 2017 and 31 December 2018 will be approximately 0.6% and 3.1% respectively of our total revenue, whilst the expected proportion of revenue to be generated from resale of used Electronic Gaming Equipment for the same periods will be approximately 2.1% and 9.8% respectively of our total revenue.

Based on the best estimation of our Directors, the expansion of our Group's business by leasing of Electronic Gaming Equipment and reselling of refurbished Electronic Gaming Equipment is expected to bring a slight increase in the gross profit margin and depreciation charges of our Group. Although the initial investment for the leasing of Electronic Gaming Equipment will cause an initial net cash outflow, the leasing of Electronic Gaming Equipment is expected to generate an overall positive net cash inflow for our Group in the two financial years ending 31 December 2018.

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## **STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS**

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As we do not have sufficient fixed assets available for security or pledge that are generally required to obtain banking facilities necessary to finance meaningful business expansion, it is difficult for us to obtain debt financing from banks on commercially viable terms. As such, our Directors consider that net proceeds from the Share Offer are necessary and crucial for strengthening our financial position and furthering our Group's business strategies as set out in the paragraph headed "Business – Our strategies" in this prospectus.

Furthermore, while the Share Offer will provide the needed financial resources and a fund-raising platform to our Group for continued growth and to achieve our business strategies, our Directors also believe that the Listing would:

- (i) improve our Company's ability to recruit, motivate and retain key management personnel and qualified technical staff;
- (ii) enable our Company to offer an equity-based incentive program (such as a share option scheme) to our employees that more directly correlates to their performance in our Group's business. Our Company would therefore be in a better position to motivate our employees with incentive programs that are closely aligned with the objective of creating value for the Shareholders;
- (iii) enhance our corporate profile and assist us in reinforcing our brand awareness and market reputation, taking into consideration that most of our major customers are listed companies. A public listing status on GEM is a complementary advertising for our Group to potential investors, customers and suppliers and can enhance our corporate profile and our credibility with the public and potential business partners;
- (iv) in the future, increase our Group's bargaining power in negotiating terms with potential customers and suppliers. As a listed entity, our business partners will have more confidence in (a) the quality of our products; (b) our financial strength and credibility; (c) transparency in our operations and financial reporting; and (d) our internal control systems to regulate and monitor our operations;
- (v) provide a platform for our Group to access to capital markets for future secondary fund raising through the issuance of shares and/or debt securities to fund our existing operations and future expansion, which could involve lower financing cost and enhance the ability to obtain bank financing; and
- (vi) diversify the risk of ownership among a larger group of shareholders which is important as our Group continues to expand our business.

Accordingly, our Directors are of the view that it is necessary and appropriate for the GEM listing to fulfill our business plan and future growth. Our Directors believe that a GEM listing is beneficial to our Company and its Shareholders as a whole.

### **IMPLEMENTATION PLANS**

We will endeavour to achieve the milestones set out below during the period from the Latest Practicable Date to 30 September 2019. Their respective scheduled completion times are based on certain bases and assumptions as set out in the paragraph headed "Implementation plans – Bases and assumptions" in this section below. These bases and assumptions are inherently subject to many uncertainties and unpredictable factors, in particular the risks factors set out in the section headed "Risk factors" in this prospectus. As such, there can be no assurance that our plans will materialise in accordance with the expected time frame or that our objectives will be accomplished at all.

## **STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS**

Based on our business objectives, we intend to carry out the following implementation plans:

**For the period from the Latest Practicable Date to 31 March 2018**

<b>Business Strategy</b>	<b>Implementation Plan</b>	<b>Allocation of new proceeds from the Share Offer</b>
Secure more trial products	<ul style="list-style-type: none"> <li>• Pay upfront deposits for more trial products from existing suppliers (132 trial seats)</li> </ul>	Approximately HK\$6.5 million
Capture future opportunities by leasing Electronic Gaming Equipment	<ul style="list-style-type: none"> <li>• Purchase 20 Electronic Gaming Equipment for lease to casino operator(s) in Macau</li> </ul>	Approximately HK\$2.2 million
Capitalise on the potential demand in South East Asia for refurbished Electronic Gaming Equipment	<ul style="list-style-type: none"> <li>• Purchase from casino operator(s) in Macau and refurbish 50 used Electronic Gaming Equipment</li> </ul>	Approximately HK\$0.7 million
Expand our sales and marketing and technical team	<ul style="list-style-type: none"> <li>• Recruit 4 sales and administrative staff who will be responsible for developing and managing customer relationship</li> <li>• Recruit 5 technical staff to carry out repair and refurbishment of Electronic Gaming Equipment</li> </ul>	Approximately HK\$1.3 million
Relocate to new office premises with workshop	<ul style="list-style-type: none"> <li>• Identify new office premises and to carry out relocation</li> </ul>	Approximately HK\$0.3 million
Improve our operating efficiency	<ul style="list-style-type: none"> <li>• Purchase tools and machine for conducting specialist repairs</li> <li>• Purchase and adopt ERP system</li> </ul>	Approximately HK\$1.7 million

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## STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

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For the period from 1 April 2018 to 30 September 2018

<b>Business Strategy</b>	<b>Implementation Plan</b>	<b>Allocation of new proceeds from the Share Offer</b>
Secure more trial products	<ul style="list-style-type: none"><li>• Pay upfront deposits for more trial products from existing suppliers (132 trial seats)</li></ul>	Approximately HK\$6.5 million
Capture future opportunities by leasing Electronic Gaming Equipment	<ul style="list-style-type: none"><li>• Purchase 24 Electronic Gaming Equipment for lease to casino operator(s) in Macau</li></ul>	Approximately HK\$2.7 million
Capitalise on the potential demand in South East Asia for refurbished Electronic Gaming Equipment	<ul style="list-style-type: none"><li>• Purchase from casino operator(s) in Macau and refurbish 132 used Electronic Gaming Equipment</li></ul>	Approximately HK\$1.9 million
Expand our sales and marketing and technical team	<ul style="list-style-type: none"><li>• Recruit 3 additional sales staff who will be responsible for developing and managing customer relationship</li><li>• Recruit 3 additional technical staff to carry out repair and refurbishment of Electronic Gaming Equipment</li></ul>	Approximately HK\$2.1 million
Relocate to new office premises with workshop	<ul style="list-style-type: none"><li>• N/A</li></ul>	N/A
Improve our operating efficiency	<ul style="list-style-type: none"><li>• Purchase tools and machine for conducting specialist repairs</li><li>• Purchase and adopt ERP system</li></ul>	Approximately HK\$0.7 million

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## STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

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For the period from 1 October 2018 to 31 March 2019

<b>Business Strategy</b>	<b>Implementation Plan</b>	<b>Allocation of new proceeds from the Share Offer</b>
Secure more trial products	<ul style="list-style-type: none"><li>• Pay upfront deposits for more trial products from existing suppliers (90 trial seats)</li></ul>	Approximately HK\$4.4 million
Capture future opportunities by leasing Electronic Gaming Equipment	<ul style="list-style-type: none"><li>• Purchase 24 Electronic Gaming Equipment for lease to casino operator(s) in Macau</li></ul>	Approximately HK\$2.7 million
Capitalise on the potential demand in South East Asia for refurbished Electronic Gaming Equipment	<ul style="list-style-type: none"><li>• Purchase from casino operator(s) in Macau and refurbish 132 used Electronic Gaming Equipment</li></ul>	Approximately HK\$1.9 million
Expand our sales and marketing and technical team	<ul style="list-style-type: none"><li>• Recruit 2 additional technical staff to carry out repair and refurbishment of Electronic Gaming Equipment</li></ul>	Approximately HK\$2.7 million
Relocate to new office premises with workshop	<ul style="list-style-type: none"><li>• N/A</li></ul>	N/A
Improve our operating efficiency	<ul style="list-style-type: none"><li>• Purchase tools for conducting specialist repairs</li><li>• Purchase and adopt ERP system</li></ul>	Approximately HK\$0.3 million

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## STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

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For the period from 1 April 2019 to 30 September 2019

<b>Business Strategy</b>	<b>Implementation Plan</b>	<b>Allocation of new proceeds from the Share Offer</b>
Secure more trial products	<ul style="list-style-type: none"><li>• Pay upfront deposits for more trial products from existing suppliers (90 trial seats)</li></ul>	Approximately HK\$4.4 million
Capture future opportunities by leasing Electronic Gaming Equipment	<ul style="list-style-type: none"><li>• Purchase 10 Electronic Gaming Equipment for lease to casino operator(s) in Macau</li></ul>	Approximately HK\$1.1 million
Capitalise on the potential demand in South East Asia for refurbished Electronic Gaming Equipment	<ul style="list-style-type: none"><li>• Purchase from casino operator(s) in Macau and refurbish 132 used Electronic Gaming Equipment</li></ul>	Approximately HK\$1.9 million
Expand our sales and marketing and technical team	<ul style="list-style-type: none"><li>• Pay salary for sales and marketing and technical team</li></ul>	Approximately HK\$2.4 million
Relocate to new office premises with workshop	<ul style="list-style-type: none"><li>• N/A</li></ul>	N/A
Improve our operating efficiency	<ul style="list-style-type: none"><li>• Purchase tools for conducting specialist repairs</li><li>• Purchase and adopt ERP system</li></ul>	Approximately HK\$0.5 million

### **Bases and Assumptions**

Potential investors should note that our ability to achieve our business objectives as well as our market and growth potential depend on a number of assumptions, in particular:

- there will be no material changes in the existing political, legal, fiscal, social or economic conditions in Macau, Hong Kong or in any other places in which we carry on our business or will carry on our business;
- we will have sufficient financial resources to meet the planned capital expenditure and business development requirements during the period to which the business objectives relate;

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## STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

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- there will be no material changes in the prevailing laws (whether in Macau or any other part of the world), policies or industry or regulatory treatment relating to us, or in the political, economic or market conditions in the places in which we operate or will operate;
- there will be no change in the validity of the licences and permits obtained by us;
- there will be no material changes in the bases or rates of taxation in Macau or in any other places in which we operate;
- there will be no significant changes in our business relationships with our major customers;
- there will be no material changes in the funding required for each of the scheduled achievements as outlined under the paragraph headed “Implementation plans” in this section above; and
- we will not be materially affected by the risk factors as set out under the section headed “Risk factors” in this prospectus.

### USE OF PROCEEDS

We estimate that the aggregate net proceeds of the Share Offer (after deducting underwriting fees and estimated Listing expenses payable by us in connection with the Share Offer) based on the Offer Price of HK\$0.30 per Offer Share, being the mid-point of the indicative Offer Price range between HK\$0.24 and HK\$0.36, will be approximately HK\$50.2 million. We currently intend to apply such net proceeds (assuming that Offer Size Adjustment Option is not exercised) in the following manner:

- approximately HK\$21.8 million, representing approximately 43.4% of the net proceeds from the Share Offer, will be used as upfront deposits for manufacturers to provide more trial products. Please refer to the paragraph headed “Business – Our strategies” in this prospectus for further details;
- approximately HK\$8.7 million, representing approximately 17.3% of the net proceeds from the Share Offer, will be used for procuring Electronic Gaming Equipment for lease to casino operators in Macau;
- approximately HK\$6.4 million, representing approximately 12.8% of the net proceeds from the Share Offer, will be used for procuring and refurbishment of used Electronic Gaming Equipment for resale in Macau to customers whom we expect will have South East Asia as their end market;

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## STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

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- approximately HK\$8.5 million, representing approximately 16.9% of the net proceeds from the Share Offer, will be used for enhancing our Group's market recognition in Macau and South East Asia, identify more manufacturers of Electronic Gaming Equipment and strengthening our in-house capability to provide repair services. To this end, we intend to expand our sales and marketing and technical team by hiring 17 additional staff;
- approximately HK\$0.3 million, representing approximately 0.6% of the net proceeds from the Share Offer, will be used for relocation of our office premises in order to integrate our offices, technical workshop for repair and maintenance, and warehouse for storage into a larger usable area;
- approximately HK\$3.2 million, representing approximately 6.4% of the net proceeds from the Share Offer, will be used for purchase of tools and equipment and new ERP system to enhance our operating efficiency; and
- approximately HK\$1.3 million, representing approximately 2.6% of the net proceeds from the Share Offer, will be used for general working capital of our Group.

If the Offer Price is fixed at the high-end of the indicative Offer Price range, being HK\$0.36 per Share, the net proceeds we receive from the Share Offer will increase by approximately HK\$14.3 million. If the Offer Price is set at the low-end of the indicative Offer Price range, being HK\$0.24 per Share, the net proceeds we receive from the Share Offer will decrease by approximately HK\$14.3 million. Depending on the amount of the net proceeds of the Share Offer based on the Offer Price to be fixed, the amount allocated for use as upfront deposits for manufacturers to provide more trial products may be adjusted.

To the extent that the net proceeds from the Share Offer are not immediately applied to the above purposes, it is our present intention that such net proceeds will be deposited into interest-bearing bank accounts with licensed banks and/or financial institutions.

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## UNDERWRITING

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### **PUBLIC OFFER UNDERWRITERS**

#### *Joint Bookrunners and Joint Lead Managers*

Southwest Securities (HK) Brokerage Limited

Supreme China Securities Limited

#### *Co-manager*

Ruibang Securities Limited

### **PLACING UNDERWRITERS**

#### *Joint Bookrunners and Joint Lead Managers*

Southwest Securities (HK) Brokerage Limited

Supreme China Securities Limited

#### *Co-manager*

Ruibang Securities Limited

### **UNDERWRITING ARRANGEMENTS AND EXPENSES**

#### **Public Offer**

#### *Public Offer Underwriting Agreement*

Pursuant to the Public Offer Underwriting Agreement, our Company is offering 25,000,000 Public Offer Shares for subscription by the public in Hong Kong on, and subject to, the terms and conditions set out in this prospectus and the Application Forms.

Subject to:

- (a) the Listing Division granting the listing of, and permission to deal in, our Shares in issue and to be issued as mentioned in this prospectus on GEM and such listing and permission not subsequently being revoked; and
- (b) certain other conditions set out in the Public Offer Underwriting Agreement (including but not limited to the Offer Price being agreed upon between us and the Joint Bookrunners (for themselves and on behalf of the other Underwriters),

the Public Offer Underwriters have agreed severally, and not jointly, to subscribe for, or procure subscribers for, the Public Offer Shares which are being offered but are not taken up under the Public Offer, on the terms and conditions set out in this prospectus, the Application Forms and the Public Offer Underwriting Agreement. If, for any reason, the Offer Price is not agreed between us and the Joint Bookrunners (for themselves and on behalf of the Underwriters), the Share Offer will not proceed and will lapse.

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## UNDERWRITING

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The Public Offer Underwriting Agreement is conditional upon and subject to the Placing Underwriting Agreement having been signed and becoming unconditional and not having been terminated.

### *Grounds for termination*

The obligations of the Public Offer Underwriters to subscribe or procure subscribers for the Public Offer Shares will be subject to termination by notice in writing to our Company from the Joint Bookrunners (for themselves and on behalf of the Sole Sponsor and the Public Offer Underwriters) with immediate effect if any of the following events occur at or prior to 8:00 a.m. on the Listing Date:

- (a) there has come to the notice of the Joint Bookrunners that:
  - (i) any statement contained in any of this prospectus and the Application Forms and/or any notice, announcement, advertisement, communication or other document issued or used by or on behalf of our Company in connection with the Public Offer is considered by the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters) in their sole and absolute opinion to be material in relation to the Share Offer, was, when it was issued, or has become, untrue, incorrect, misleading or deceptive in any respect or that any estimates, forecasts, expressions of opinion, intention or expectation expressed in this prospectus or the Application Forms and/or any notice, announcement, advertisement, communication or other document issued or used by or on behalf of our Company in connection with the Public Offer is not, in the sole and absolute opinion of the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters), fair and honest and based on reasonable assumptions, when taken as a whole; or
  - (ii) any matter has arisen or has been discovered which would or might, had it arisen or been discovered immediately before the date of this prospectus and the Application Forms, constitute an omission therefrom considered by the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters) in their sole and absolute opinion to be material in the context of the Share Offer; or
  - (iii) any breach of any of the obligations imposed or to be imposed upon any party to the Public Offer Underwriting Agreement (other than on the part of any of the Public Offer Underwriters); or
  - (iv) any event, act or omission which gives or is likely to give rise to any liability of our Company, the executive Directors and the Controlling Shareholders pursuant to the Public Offer Underwriting Agreement; or
  - (v) any change or development involving a prospective change in the assets, liabilities, general affairs, management, business prospects, shareholders' equity, profits, losses, results of operations, position or conditions (financial, trading or otherwise) or performance of any member of our Group (the "**Group Company**") which is considered by the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters) in their sole and absolute opinion to be material to the Share Offer; or

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## UNDERWRITING

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- (vi) any breach of, or any event or circumstance rendering untrue or incorrect in any respect, any of the representations, warranties, agreements and undertakings to be given by our Company in terms set out in the Public Offer Underwriting Agreement; or
  - (vii) approval by the Stock Exchange of the listing of, and permission to deal in, the Shares (including any additional Shares that may be issued upon the exercise of the Offer Size Adjustment Option) to be issued under the Share Offer is refused or not granted, or is qualified (other than subject to customary conditions), or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
  - (viii) our Company withdraws this prospectus or the Application Forms (and/or any other documents used in connection with the contemplated subscription of the Offer Shares) or the Placing; or
  - (ix) any person (other than the Underwriters) has withdrawn or sought to withdraw its consent to being named in this prospectus or to the issue of this prospectus or the Application Forms; or
  - (x) any of the experts in relation to the Share Offer as set out under the section headed “Statutory and general information – 6. Qualifications of experts” in Appendix IV to this prospectus has withdrawn its respective consent to the issue of this prospectus with the inclusion of its report, letter, and/or legal opinion (as the case may be) and references to its name included in the form and context in which they respectively appear; or
- (b) there shall develop, occur, exist or come into effect:
- (i) any event, or series of events, beyond the reasonable control of the Underwriters (including, without limitation, acts of government or orders of any courts, strikes, calamity, crisis, lock-outs, fire, explosion, flooding, civil commotion, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God, acts of terrorism, declaration of a national or international emergency, riot, public disorder, economic sanctions, outbreaks of diseases, pandemics or epidemics (including, without limitation, Severe Acute Respiratory Syndrome, avian influenza A (H5N1), swine influenza (H1N1) or such related/mutated forms) or interruption or delay in transportation); or
  - (ii) any change or development involving a prospective change, or any event or series of events likely to result in any change or development involving a prospective change, in local, or representing national, regional, international, financial, economic, political, military, industrial, fiscal, regulatory, currency or market conditions (including, without limitation, any moratorium,

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## UNDERWRITING

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suspension or restriction on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the London Stock Exchange, the American Stock Exchange, the Nasdaq National Market, or a fluctuation in the exchange rate of the Hong Kong dollar against any foreign currency, or any interruption in monetary or trading or securities settlement or clearance services or procedures or matters) in or affecting Hong Kong or anywhere in the world; or

- (iii) any change in the general fund raising environment in Hong Kong or elsewhere; or
- (iv) any new laws or change or development involving a prospective change in existing laws or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in Hong Kong, Macau, the PRC, the United States, the Cayman Islands, the BVI, the EU (or any member thereof) or any other jurisdictions relevant to any Group Company (the “**Specific Jurisdictions**”); or
- (v) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary of Hong Kong and/or the Hong Kong Monetary Authority or otherwise), New York (imposed at the United States federal or New York state level or otherwise), London, Macau, or the PRC or any other jurisdictions relevant to any Group Company or a disruption in commercial banking or securities settlement or clearance services in Hong Kong, Macau, the PRC or any other jurisdiction relevant to any Group Company; or
- (vi) the imposition of any economic sanctions, in whatever form, directly or indirectly, by, or for, the United States or the EU (or any member thereof) on Hong Kong, the PRC, Macau, the Cayman Islands, the BVI, the EU (or any member thereof) or any other jurisdictions relevant to any Group Company; or
- (vii) a change or development occurs involving a prospective change in taxation or exchange control (or the implementation of any exchange control), currency exchange rates or foreign investment laws in any of the Specific Jurisdictions affecting an investment in the Shares; or
- (viii) any change or development involving a prospective change in, or a materialisation of, any of the risks set out in the section headed “Risk factors” in this prospectus; or
- (ix) any litigation or claim of any third party being threatened or instigated against any Group Company; or
- (x) a Director being charged with an indictable offence or prohibited by the operation of law or otherwise disqualified from taking part in the management of a company; or

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## UNDERWRITING

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- (xi) the chairman or chief executive officer of our Company vacating his office; or
- (xii) the commencement by any governmental, regulatory or political body or organisation of any action against a Director in his capacity as such or an announcement by any governmental, regulatory or political body or organisation that it intends to take any such action; or
- (xiii) a contravention by any Group Company of the Companies Ordinance or any of the GEM Listing Rules or any other applicable laws; or
- (xiv) a prohibition on our Company for whatever reason from allotting or selling the Offer Shares pursuant to the terms of the Share Offer; or
- (xv) non-compliance of this prospectus or the Application Forms (and/or any other documents used in connection with the offering of the Offer Shares) or any aspect of the Share Offer with the GEM Listing Rules or any other laws applicable to the Share Offer; or
- (xvi) the issue or requirement to issue by our Company of a supplement or amendment to this prospectus and/or any other offer documents pursuant to the Companies Ordinance or the GEM Listing Rules; or
- (xvii) a valid demand by any creditor for repayment or payment of any indebtedness of any Group Company or in respect of which any Group Company is liable prior to its stated maturity; or
- (xviii) any loss or damage sustained by any Group Company (howsoever caused and whether or not the subject of any insurance or claim against any person); or
- (xix) a petition or an order for the winding-up or liquidation of any Group Company or any composition or arrangement made by any Group Company with its creditors or a scheme of arrangement entered into by any Group Company or any resolution is passed for the winding-up of any Group Company or a provisional liquidator, receiver or manager to take over all the appointment of or part of the assets or undertaking of any Group Company or anything analogous thereto occurs in respect of any Group Company,

and which, in any of the above cases and in the opinion of the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters):

- (a) is or will or could be expected to have an adverse effect on the general affairs, management, business, financial, trading or other condition or prospects or risks of our Company or our Group or any Group Company or on any present or prospective shareholder in his, her or its capacity as such; or

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## UNDERWRITING

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- (b) has or will have or could be expected to have an adverse effect on the success, marketability or pricing of the Share Offer or the level of interest under the Share Offer; or
- (c) makes it or will or could be expected to make it inadvisable, inexpedient or impracticable for the Public Offer and/or the Share Offer to proceed or to market the Share Offer; or
- (d) has or will or could be expected to have the effect of making any part of the Public Offer Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Share Offer or pursuant to the underwriting thereof.

### **Undertakings given to the Stock Exchange pursuant to the GEM Listing Rules**

#### ***By our Company***

We have undertaken to the Stock Exchange that we shall not issue any further Shares or securities convertible into our equity securities (whether or not of a class already listed) or enter into any agreement to issue any such Shares or securities within six months from the Listing Date (whether or not such issue of Shares will be completed within six months from the Listing Date), except in certain circumstances prescribed by Rule 17.29 of the GEM Listing Rules.

#### ***By our Controlling Shareholders***

Pursuant to Rule 13.16A(1) of the GEM Listing Rules, each of our Controlling Shareholders has undertaken to us and to the Stock Exchange that except pursuant to the Share Offer or the Offer Size Adjustment Option, he/it shall not:

- (a) in the period commencing on the date by reference to which disclosure of his/its shareholdings in our Company is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of our securities that it is shown to beneficially own in this prospectus (the “**Relevant Shares**”); or
- (b) in the period of a further six months commencing on the date on which the period referred to in paragraph (a) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Relevant Shares if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it/he will cease to be a controlling shareholder (as defined in the GEM Listing Rules) of our Company.

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## UNDERWRITING

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Pursuant to Rule 13.19 of the GEM Listing Rules, our Controlling Shareholders have also jointly and severally undertaken to our Company and the Stock Exchange respectively that, at any time during the First Six-Month Period and the Second Six-Month Period:

- (a) in the event that they pledge or charge any direct or indirect interest in the relevant securities of our Company under Rule 13.18(1) of the GEM Listing Rules or pursuant to any right or waiver granted by the Stock Exchange pursuant to Rule 13.18(4) of the GEM Listing Rules, they shall immediately inform our Company in writing of such pledge or charge, disclosing the details specified in Rules 17.43(1) to (4) of the GEM Listing Rules; and
- (b) having pledged or charged any interest in securities under sub-paragraph (a) above, they shall inform our Company immediately in writing, in the event that any of them becomes aware or receives indications, either verbal or written, that the pledgee or chargee has disposed of or intends to dispose of such interest and of the number of securities affected.

Pursuant to Rule 13.20 of the GEM Listing Rules, in the event that our Company has been informed of any matter under Rule 13.19 of the GEM Listing Rules as described above, we shall forthwith publish an announcement giving details of the same in accordance with the requirements of Rule 17.43 of the GEM Listing Rules.

### **Undertakings given to the Public Offer Underwriters**

#### ***By our Company***

Our Company has undertaken to each of the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriters that except pursuant to the Share Offer, the Capitalisation Issue, the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme, at any time during the period commencing on the date of the Public Offer Underwriting Agreement and ending on, and including, the date that is six months after the Listing Date (the “**First Six Months Period**”), we will not, and will procure each other Group Company not to, without the prior written consent of the Sole Sponsor and the Joint Bookrunners (for themselves and on behalf of the other Public Offer Underwriters) and unless in compliance with the requirements of the GEM Listing Rules:

- (a) offer, accept subscription for, pledge, charge, allot, issue, sell, lend, mortgage, assign, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, or repurchase any of its share capital or other securities of our Company or any of our subsidiaries or any interest therein (including but not limited to any securities convertible into or exercisable or exchangeable for or that represent the right to receive any such share capital or securities or any interest therein);

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## UNDERWRITING

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- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such share capital or securities or any interest therein;
- (c) enter into any transaction with the same economic effect as any transaction specified in (a) or (b) above; or
- (d) offer to or agree to do any of the transactions specified in paragraph (a) or (b) or (c) above or announce any intention to do so, whether any of the transactions specified in paragraph (a) or (b) or (c) above is to be settled by delivery of share capital or such other securities, in cash or otherwise.

### ***By our Controlling Shareholders***

Each of our Controlling Shareholders has undertaken jointly and severally to each of our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriters that it will not, and will procure that none of its close associates will, without the prior written consent of the Sole Sponsor and the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters) at any time during the First Six Months Period:

- (a) offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend, make any short sale or otherwise transfer or dispose of (nor enter into any agreement to transfer or dispose of or otherwise create any options, rights, interests or encumbrances in respect of), either directly or indirectly, conditionally or unconditionally, any of the share or debt capital or other securities of our Company or any interest therein (including, but not limited to any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive, any such capital or securities or any interest therein) whether now owned or hereinafter acquired, directly or indirectly, by any of our Controlling Shareholders (including holding as a custodian) or with respect to which any of our Controlling Shareholders has beneficial interest;
- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any such capital or securities or any interest therein;
- (c) enter into any transaction with the same economic effect as any transaction described in paragraph (a) or (b) above; or
- (d) offer or agree or contract to, or publicly announce any intention to enter into, any transaction described in paragraph (a) or (b) or (c) above, whether any such transaction described in paragraph (a) or (b) or (c) above is to be settled by delivery of Shares or such other securities, in cash or otherwise.

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## UNDERWRITING

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In addition, during the period of six months immediately following the First Six-month Period (the “**Second Six-Months Period**”), each of our Controlling Shareholders will not enter into any of the transactions described in paragraph (a), (b), (c) or (d) above if, immediately following such transaction, it will cease to be a Controlling Shareholder of our Company or would together with the other Controlling Shareholders cease to be Controlling Shareholders of our Company.

Until the expiry of the Second Six-Months Period, in the event that any of our Controlling Shareholders enters into any of the transactions described in paragraph (a), (b), (c) or (d) above, it will take all reasonable steps to ensure that it will not create a disorderly or false market in the Shares or other securities of our Company.

Each of our Controlling Shareholders has further undertaken to our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriters that, from the date of the Public Offer Underwriting Agreement up to and including the expiry of the Second Six-Months Period, it will:

- (a) upon any pledge or charge in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong), of any share capital or other securities of our Company or any interests therein in respect of which it is the beneficial owner, immediately inform our Company and the Joint Bookrunners in writing of such pledge or charge together with the number of Shares or other securities so pledged or charged; and
- (b) upon any indication received by it, either verbal or written, from any pledgee or chargee that any of the pledged or charged shares or securities or interests in the shares or other securities of our Company will be disposed of, immediately inform our Company, the Joint Bookrunners and the Joint Lead Managers in writing of such indications.

Our Company will inform the Stock Exchange, the Sole Sponsor, the Joint Bookrunners and the Joint Lead Managers in writing as soon as it has been informed of any of the matters referred to above (if any) by our Controlling Shareholders and, our Company shall, if so required by the Stock Exchange or the GEM Listing Rules, disclose such matters by way of an announcement and shall comply with all the requirements in accordance with the GEM Listing Rules as soon as possible.

Each of our Company and our Controlling Shareholders undertakes with the Sole Sponsor, the Joint Bookrunners and each of the Public Offer Underwriters that each of them will not, and each Controlling Shareholder further agrees to procure that our Company will not, effect any transactions, at any time within the First Six-Months Period, which may reduce the holding of Shares in “public hands” (as such expression means under the GEM Listing Rules) below the relevant prescribed minimum percentage (25%) as is set out in and calculated in accordance with the GEM Listing Rules without having obtained the prior written consent of the Sole Sponsor and Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters).

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## UNDERWRITING

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### **Sole Sponsor's and Underwriters' interests in our Group**

Southwest HK Capital, being the Sole Sponsor, satisfies the independence criteria applicable to sponsor set out in Rule 6A.07 of the GEM Listing Rules. The Sole Sponsor has been appointed as the compliance advisor of our Company with effect from the Listing Date until the despatch of our Company's financial results for the first full financial year of our Company after the Listing Date.

Save for their respective obligations under the Public Offer Underwriting Agreement and the Placing Underwriting Agreement and save as otherwise disclosed in this prospectus, as of the Latest Practicable Date, none of the Underwriters was interested directly or indirectly in any of our Shares or securities or any shares or securities of any other member of our Group or had any right or option (whether legally enforceable or not) to subscribe for, or to nominate persons to subscribe for, any of our Shares or securities or any shares or securities of any other member of our Group.

Following the completion of the Share Offer, the Underwriters and their affiliated companies may hold a certain portion of our Shares as a result of fulfilling their respective obligations under the Public Offer Underwriting Agreement and the Placing Underwriting Agreement.

### **The Placing**

In connection with the Placing, we expect to enter into the Placing Underwriting Agreement on or about the Price Determination Date with, among others, the Placing Underwriters. Under the Placing Underwriting Agreement, the Placing Underwriters would, subject to certain conditions, severally and not jointly, agree to purchase the Placing Shares or procure purchasers for the Placing Shares initially being offered pursuant to the Placing. Please refer to the paragraph headed "Structure and conditions of the Share Offer – The Placing" in this prospectus.

Under the Placing Underwriting Agreement, we intend to grant to the Placing Underwriters the Offer Size Adjustment Option, exercisable with the prior consent of our Company in whole or in part at one or more times, by the Joint Bookrunners on behalf of the Placing Underwriters from the date of this prospectus to Tuesday, 14 November 2017, being the last business day prior to the Listing Date, to require us to issue and allot up to an aggregate of 37,500,000 additional Offer Shares, representing 15% of the Offer Shares initially available under the Share Offer and at the Offer Price, to cover, any over-allocations in the Placing, if any.

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## UNDERWRITING

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### **Total commission and expenses**

We will pay the Joint Bookrunners (for themselves and on behalf of the other Underwriters) an underwriting commission of 5.0% of the aggregate Offer Price of the Public Offer Shares initially offered under the Public Offer (excluding any Placing Shares reallocated to the Public Offer and any Public Offer Shares reallocated to the Placing), out of which the Underwriters will pay all sub-underwriting commission, if any. For unsubscribed Public Offer Shares reallocated to the Placing, we will pay an underwriting commission at the rate applicable to the Placing and such commission will be paid to the Joint Bookrunners and the relevant Placing Underwriters, but not the Public Offer Underwriters. In addition, we may at our discretion pay an incentive fee of up to 3.0% of the aggregate offer price of the Public Offer Shares to Southwest HK Brokerage.

Assuming that the Offer Size Adjustment Option is not exercised and based on an Offer Price of HK\$0.30 (being the mid-point of the stated range of the Offer Price between HK\$0.24 and HK\$0.36) and the discretionary incentive fee is not paid, the aggregate commissions and estimated expenses, together with the Stock Exchange listing fee, legal and other professional fees, printing and other fees and expenses relating to the Share Offer, are estimated to amount in aggregate to HK\$24.8 million in total and are payable by us.

### **Indemnity**

We have undertaken to indemnify and keep indemnified on demand (on an after-tax basis) and hold harmless each of the Joint Bookrunners, the Sole Sponsor and the Public Offer Underwriters (for itself and on trust for its directors, officers, employees, agents, assignees and affiliates) from and against certain losses which they may suffer, including losses arising from their performance of their obligations under the Public Offer Underwriting Agreement and any breach by us of the Public Offer Underwriting Agreement.

### **Restrictions on the Offer Shares**

No action has been taken to permit a public offering of the Offer Shares, other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation.

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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### THE SHARE OFFER

This prospectus is published in connection with the Public Offer as part of the Share Offer. The Share Offer comprises:

- the Public Offer of initially 25,000,000 Offer Shares (subject to reallocation as mentioned below) in Hong Kong as described in the paragraph headed “The Public Offer” in this section below; and
- the Placing of initially 225,000,000 Offer Shares (subject to reallocation and the Offer Size Adjustment Option as described below) outside the United States (including to professional, institutional and corporate investors and other investors anticipated to have a sizeable demand for the Offer Shares in Hong Kong) in offshore transactions in reliance on Regulation S, as described in the paragraph headed “The Placing” in this section below.

Investors may either:

- apply for the Public Offer Shares under the Public Offer; or
- apply for or indicate an interest for the Placing Shares under the Placing,

but may not do both.

The 250,000,000 Offer Shares in the Share Offer will represent 25% of our enlarged share capital immediately after the completion of the Share Offer and the Capitalisation Issue, without taking into account the exercise of the Offer Size Adjustment Option. If the Offer Size Adjustment Option is exercised in full, the Offer Shares will represent approximately 27.7% of our enlarged share capital immediately following the completion of the Share Offer and the Capitalisation Issue.

References to applications, application forms, application monies or procedure for applications relate solely to the Public Offer.

### THE PUBLIC OFFER

#### Number of Offer Shares initially offered

We are initially offering for subscription by the public in Hong Kong 25,000,000 Offer Shares, representing 10% of the total number of Offer Shares initially available under the Share Offer. Subject to the reallocation of Offer Shares between the Placing and the Public Offer, the number of Offer Shares offered under the Public Offer will represent approximately 2.5% of our enlarged issued share capital immediately after completion of the Share Offer and the Capitalisation Issue, assuming that the Offer Size Adjustment Option is not exercised.

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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The Public Offer is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities.

Completion of the Public Offer is subject to the conditions as set out in the paragraph headed “Conditions of the Share Offer” in this section below.

### **Reallocation**

The allocation of the Offer Shares between the Public Offer and the Placing is subject to reallocation. In accordance with the clawback mechanism, subject to any waiver or approval to be obtained from the Stock Exchange, if the number of Offer Shares validly applied for under the Public Offer represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more of the number of Offer Shares initially available under the Public Offer, the Offer Shares will be reallocated to the Public Offer from the Placing. As a result of such reallocation, the total number of Offer Shares will be increased to 75,000,000 Offer Shares (in the case of (i)), 100,000,000 Offer Shares (in the case of (ii)) and 125,000,000 Offer Shares (in the case of (iii)), representing approximately 30%, 40% and 50% of the Offer Shares initially available under the Share Offer (before any exercise of the Offer Size Adjustment Option), respectively.

In each case, the additional Offer Shares reallocated to the Public Offer will be increased and the number of Offer Shares allocated to the Placing will be correspondingly reduced in such manner as the Joint Bookrunners deem appropriate. In addition, the Joint Bookrunners shall have the discretion to reallocate Offer Shares from the Placing to the Public Offer to satisfy valid applications under the Public Offer, regardless of whether any reallocation is triggered.

If the Public Offer is not fully subscribed for, the Joint Bookrunners have the authority to reallocate all or any unsubscribed Public Offer Shares to the Placing, in such proportions as the Joint Bookrunners deem appropriate. The Offer Shares to be offered in the Public Offer and the Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Bookrunners.

### **Applications**

Each applicant under the Public Offer will be required to give an undertaking and confirmation in the application submitted by him/her/it that he/she/it and any person(s) for whose benefit he/she/it is making the application has not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Placing Shares under the Placing, and such applicant’s application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated Placing Shares under the Placing. Multiple or suspected multiple applications and any application for more than 100% of the Public Offer Shares initially comprised in the Public Offer are liable to be rejected.

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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Applicants under the Public Offer are required to pay, on application, maximum price of HK\$0.36 per Offer Share in addition to brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% on each Offer Share, amounting to a total of HK\$3,636.28 for one board lot of 10,000 Shares. If the Offer Price, as finally determined on the Price Determination Date in the manner as described in the paragraph headed “Pricing and allocation” in this section below, is less than the maximum price of HK\$0.36 per Offer Share, appropriate refund payments (including brokerage, SFC transaction levy and Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. For further details, please refer to the section headed “How to apply for the Public Offer Shares” in this prospectus.

Allocation of Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The basis of allocation may vary, depending on the number of Public Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

### THE PLACING

#### Number of Offer Shares initially offered

We will be initially offering for subscription under the Placing 225,000,000 Offer Shares, representing 90% of the Offer Shares under the Share Offer. Subject to the reallocation of Offer Shares between the Placing and the Public Offer, the number of Offer Shares offered under the Placing will represent approximately 22.5% of our enlarged issued share capital immediately after completion of the Share Offer and the Capitalisation Issue, assuming that the Offer Size Adjustment Option is not exercised.

#### Allocation

The Placing Shares will conditionally be offered to selected professional, institutional and corporate investors and other investors anticipated to have a sizeable demand for our Offer Shares in Hong Kong and other jurisdictions outside the United States in offshore transactions in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Prospective professional, institutional and other investors will be required to specify the number of the Placing Shares under the Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building,” is expected to continue up to the Price Determination Date.

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## **STRUCTURE AND CONDITIONS OF THE SHARE OFFER**

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Allocation of the Placing Shares pursuant to the Placing will be determined by the Joint Bookrunners and will be based on a number of factors including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell its Shares, after the listing of the Shares on GEM. Such allocation is intended to result in a distribution of the Placing Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and our Shareholders as a whole.

The Joint Bookrunners (on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the Placing and who has made an application under the Public Offer to provide sufficient information to the Joint Bookrunners so as to allow them to identify the relevant applications under the Public Offer and to ensure that they are excluded from any applications of the Public Offer Shares under the Public Offer.

### **Reallocation**

The total number of Offer Shares to be issued pursuant to the Placing may change as a result of the clawback arrangement as described in the paragraph headed "The Public Offer – Reallocation" in this section above or the Offer Size Adjustment Option in whole or in part and/or any reallocation of unsubscribed Offer Shares originally included in the Public Offer.

### **OFFER SIZE ADJUSTMENT OPTION**

Pursuant to the Offer Size Adjustment Option, the Joint Bookrunners (for themselves and on behalf of the Placing Underwriters) will have the right, exercisable with the prior consent of our Company at any time during the period from the date of this prospectus to Tuesday, 14 November 2017, being the last business day prior to the Listing Date, to require our Company to issue, at the Offer Price, up to an aggregate of 37,500,000 additional Shares, representing 15% of the total number of Shares initially available under the Share Offer to cover any excess demand or over-allocations in the Placing, subject to the terms of the Placing Underwriting Agreement. If the Offer Size Adjustment Option is exercised in full, the additional Shares will represent approximately 3.6% of the enlarged issued share capital of our Company immediately following the completion of the Share Offer, the Capitalisation Issue and the exercise of the Offer Size Adjustment Option.

For the avoidance of doubt, the purpose of the Offer Size Adjustment Option is to provide flexibility for the Joint Bookrunners to meet any excess demand in the Placing. The Offer Size Adjustment Option will not be associated with any price stabilisation activities of the Shares in the secondary market after the Listing and will not be subject to the Securities and Futures (Price Stabilizing) Rules of the SFO (Chapter 571W of the Laws of Hong Kong). No purchase of the Shares in the secondary market will be effected to cover any excess demand in the Placing which will only be satisfied by the exercise of the Offer Size Adjustment Option in full or in part.

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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Our Company will disclose in its allotment results announcement whether and to what extent the Offer Size Adjustment Option has been exercised, and will confirm in the announcement that, if the Offer Size Adjustment Option is not exercised by then, the Offer Size Adjustment Option will lapse and cannot be exercised on any future date. The allotment results announcement will be published on the website of the Stock Exchange at *www.hkexnews.hk* and our Company's website at *www.apemacau.com*.

### PRICING AND ALLOCATION

Our Company and the Joint Bookrunners (on behalf of the Underwriters) will determine the Offer Price and sign an agreement on the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or around Friday, 3 November 2017, and in any event, not later than Tuesday, 14 November 2017.

The Offer Price will not be more than HK\$0.36 per Offer Share and is expected to be not less than HK\$0.24 per Offer Share, unless otherwise announced by no later than the morning of the last day for lodging applications under the Public Offer as further explained below. If you apply for the Offer Shares under the Public Offer, you must pay the maximum price of HK\$0.36 per Offer Share, plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%.

If the Offer Price, as finally determined in the manner described below, is lower than HK\$0.36, we will refund the respective difference, including brokerage, SFC transaction levy and Stock Exchange trading fee attributable to the surplus application monies. We will not pay interest on any refunded amounts. For more details, please refer to the section headed "How to apply for the Public Offer Shares" in this prospectus.

The Placing Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the Placing. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building", is expected to continue up to, and to cease on or around, the last day for lodging applications under the Public Offer.

The Joint Bookrunners (on behalf of the Underwriters) may, where considered appropriate based on the level of interest expressed by prospective professional, institutional and other investors during a book-building process, and with the consent of our Company, reduce the number of Offer Shares and/or the Offer Price range below that stated in this prospectus prior to the morning of the last day for lodging applications under the Public Offer. In such a case, we will as soon as practicable following the decision to make such reduction and in any event not later than the morning of the last day for lodging applications under the Public Offer publish a notice on our website at *www.apemacau.com* and the website of the Stock Exchange at *www.hkexnews.hk* (the contents of the website do not form a part of this prospectus). Upon issue of such a notice, the revised number of Offer Shares and/or Offer Price range will be final and conclusive and the Offer Price, if agreed upon by us, will be fixed within such revised Offer Price range.

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## **STRUCTURE AND CONDITIONS OF THE SHARE OFFER**

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Before submitting applications for the Public Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the Offer Price range may not be made until the day which is the last day for lodging applications under the Public Offer. Such notice will also confirm or revise, as appropriate, the working capital statement, the Share Offer statistics as currently set out in the section headed “Summary and highlights” in this prospectus, and any other financial information which may change as a result of such reduction. In the absence of any such notice so published, the Offer Price, if agreed upon with our Company and the Joint Bookrunners (on behalf of the Underwriters) will under no circumstances be set outside the Offer Price range as stated in this prospectus.

If you have already submitted an application for the Public Offer Shares before the last day for lodging applications under the Public Offer, you will not be allowed to subsequently withdraw your application. However, if the number of Offer Shares and/or the Offer Price range is reduced, applicants will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

In the event of a reduction in the number of Offer Shares, the Joint Bookrunners may, at their discretion, reallocate the number of Offer Shares to be offered in the Public Offer and the Placing, provided that the number of Offer Shares comprised in the Public Offer shall not be less than 10% of the total number of Offer Shares available under the Share Offer (assuming that the Offer Size Adjustment Option is not exercised).

The final Offer Price, the level of indication of interest in the Placing, the basis of allotment of Offer Shares available under the Public Offer and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Public Offer are expected to be made available in a variety of channels in the manner described in the paragraph headed “How to apply for the Public Offer Shares – 10. Publication of results” in this prospectus.

### **CONDITIONS OF THE SHARE OFFER**

Acceptance of all applications for Offer Shares is conditional on:

- the Listing Division granting approval for the listing of, and permission to deal in, our Shares in issue and to be issued as described in this prospectus (including the Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option);
- the Offer Price having been agreed between us and the Joint Bookrunners (on behalf of the Underwriters);
- the execution and delivery of the Placing Underwriting Agreement on or about the Price Determination Date; and

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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- the obligations of the Public Offer Underwriters under the Public Offer Underwriting Agreement and the obligations of the Placing Underwriters under the Placing Underwriting Agreement becoming unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the Public Offer Underwriting Agreement and/or the Placing Underwriting Agreement, as the case may be (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than Thursday, 30 November 2017, being the 30th date after the date of this prospectus.

If, for any reason, the Offer Price is not agreed between us and the Joint Bookrunners (on behalf of the Underwriters) on or before Tuesday, 14 November 2017, the Share Offer will not proceed and will lapse.

The consummation of each of the Public Offer and the Placing is conditional upon, among other things, each other offering becoming unconditional and not having been terminated in accordance with its respective terms. If the above conditions are not fulfilled or waived prior to the times and dates specified, the Share Offer will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Public Offer will be published by our Company on our website at [www.apemacau.com](http://www.apemacau.com) and on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) on the next day following such lapse. In such an event, all application monies will be returned, without interest, on the terms set out in the paragraph headed “How to apply for the Public Offer Shares – 12. Refund of application monies” in this prospectus. In the meantime, all application monies will be held in separate bank account(s) with the receiving bank or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

### UNDERWRITING AGREEMENTS

The Public Offer is fully underwritten by the Public Offer Underwriters under the terms of the Public Offer Underwriting Agreement and is subject to, among other conditions, us and the Joint Bookrunners (on behalf of the Underwriters) agreeing on the Offer Price on the Price Determination Date.

We expect to enter into the Placing Underwriting Agreement relating to the Placing on or about the Price Determination Date.

Certain terms of the underwriting arrangements, the Public Offer Underwriting Agreement and the Placing Underwriting Agreement, are summarised in the section headed “Underwriting” in this prospectus.

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## **STRUCTURE AND CONDITIONS OF THE SHARE OFFER**

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### **DEALING ARRANGEMENTS**

Assuming that the Public Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Wednesday, 15 November 2017, it is expected that dealings in our Shares on GEM will commence at 9:00 a.m. on Wednesday, 15 November 2017.

The Shares will be traded in board lots of 10,000 Shares each and the stock code of our Company is 8400.

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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### 1. HOW TO APPLY

If you apply for the Public Offer Shares, then you may not apply for or indicate an interest for the Placing Shares.

To apply for the Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Joint Bookrunners and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

### 2. WHO CAN APPLY

You can apply for the Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, our Company and the Joint Bookrunners may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four.

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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Unless permitted by the GEM Listing Rules, you cannot apply for any Public Offer Shares if you are:

- an existing beneficial owner of Shares in our Company and/or any of our subsidiaries;
- a Director or chief executive officer of our Company and/or any of our subsidiaries;
- a connected person (as defined in the GEM Listing Rules) of our Company or will become a connected person of our Company immediately upon completion of the Share Offer;
- an associate or close associate (as defined in the GEM Listing Rules) of any of the above; or
- have been allocated or have applied for any Placing Shares or otherwise participate in the Placing.

### 3. APPLYING FOR THE PUBLIC OFFER SHARES

#### Which application channel to use

For the Public Offer Shares to be issued in your own name, use a **WHITE** Application Form.

For the Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

#### Where to collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours between 9:00 a.m. to 5:00 p.m. from Tuesday, 31 October 2017 until Thursday, 2 November 2017 and between 9:00 a.m. to 12:00 noon on Friday, 3 November 2017 from:

- (i) any of the following offices of the Joint Bookrunners:

**Southwest Securities (HK) Brokerage Limited**

40/F., Lee Garden One  
33 Hysan Avenue  
Causeway Bay  
Hong Kong

**Supreme China Securities Limited**

Suite 2701-02, 27/F., Everbright Centre  
108 Gloucester Road  
Wan Chai  
Hong Kong

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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(ii) any of the following branches of the receiving bank, The Bank of East Asia, Limited:

District	Branch name	Address
<b>Hong Kong Island</b>	Main Branch	10 Des Voeux Road Central, Central
	Shauiwan Branch	G/F, Ka Fook Building, 289-293 Shau Kei Wan Road, Shau Kei Wan
<b>Kowloon</b>	Kwun Tong Branch	7 Hong Ning Road, Kwun Tong
	Mei Foo Sun Chuen Branch	Shop N57, G/F, Mount Sterling Mall, Mei Foo

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Tuesday, 31 October 2017 until 12:00 noon on Friday, 3 November 2017 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

### Time for lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "**The Bank of East Asia (Nominees) Limited – Asia Pioneer Public Offer**" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

- 9:00 a.m. to 5:00 p.m., Tuesday, 31 October 2017
- 9:00 a.m. to 5:00 p.m., Wednesday, 1 November 2017
- 9:00 a.m. to 5:00 p.m., Thursday, 2 November 2017
- 9:00 a.m. to 12:00 noon, Friday, 3 November 2017

The application lists will be open from 11:45 a.m. to 12:00 noon on Friday, 3 November 2017, the last application day or such later time as described in the paragraph headed "9. Effect of bad weather on the opening of the application lists" in this section below.

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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### 4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form, among other things, you:

- (i) undertake to execute all relevant documents and instruct and authorise our Company and/or the Joint Bookrunners (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the Companies (WUMP) Ordinance and the Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Share Offer in this prospectus;
- (vi) agree that none of our Company, the Sole Sponsor, the Joint Bookrunners, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing nor participated in the Placing;
- (viii) agree to disclose to our Company, our Hong Kong Branch Share Registrar, receiving bank(s), the Sole Sponsor, the Joint Bookrunners, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Sponsor, the Joint Bookrunners and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Public Offer Shares allocated to you, and our Company and/or our agents to send any Share certificate(s) and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the Share certificate(s) and/or refund cheque(s) in person;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that our Company and the Joint Bookrunners will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC by you or by any one as your agent or by any other person; and

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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- (xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC; and (ii) you have due authority to sign the Application Form or give electronic application instructions on behalf of that other person as their agent.

### **Additional instructions for YELLOW Application Form**

You may refer to the **YELLOW** Application Form for details.

## **5. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS**

### **General**

CCASS Participants may give electronic application instructions to apply for the Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these electronic application instructions through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input electronic application instructions for you if you go to:

**Hong Kong Securities Clearing Company Limited**  
Customer Service Center  
1/F, One & Two Exchange Square  
8 Connaught Place, Central  
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Joint Bookrunners and our Hong Kong Branch Share Registrar.

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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### Giving electronic application instructions to HKSCC via CCASS

Where you have given electronic application instructions to apply for the Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
  - agree that the Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
  - agree to accept the Public Offer Shares applied for or any lesser number allocated;
  - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing;
  - (if the electronic application instructions are given for your benefit) declare that only one set of electronic application instructions has been given for your benefit;
  - (if you are an agent for another person) declare that you have only given one set of electronic application instructions for the other person's benefit and are duly authorised to give those instructions as their agent;
  - confirm that you understand that our Company, our Directors and the Joint Bookrunners will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted if you make a false declaration;
  - authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Public Offer Shares allocated to you and to send Share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
  - confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of our Company, the Joint Bookrunners, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to our Company, our Hong Kong Branch Share Registrar, receiving bank(s), the Joint Bookrunners, the Underwriters and/or its respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Public Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (WUMP) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your electronic application instructions can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Public Offer results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving electronic application instructions to apply for the Public Offer Shares;

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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- agree with our Company, for ourselves and for the benefit of each Shareholder (and so that our Company will be deemed by our acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for ourselves and on behalf of each of the Shareholders, with each CCASS Participant giving electronic application instructions) to observe and comply with the Companies (WUMP) Ordinance and the Articles of Association; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

### **Effect of giving electronic application instructions to HKSCC via CCASS**

By giving electronic application instructions to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Public Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

### **Minimum purchase amount and permitted numbers**

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions for a minimum of 10,000 Public Offer Shares. Instructions for more than 10,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of the Public Offer Shares will be considered and any such application is liable to be rejected.

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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### **Time for inputting electronic application instructions**

CCASS Clearing/Custodian Participants can input electronic application instructions at the following times on the following dates:

- 9:00 a.m. to 8:30 p.m.<sup>(1)</sup>, Tuesday, 31 October 2017
- 8:00 a.m. to 8:30 p.m.<sup>(1)</sup>, Wednesday, 1 November 2017
- 8:00 a.m. to 8:30 p.m.<sup>(1)</sup>, Thursday, 2 November 2017
- 8:00 a.m.<sup>(1)</sup> to 12:00 noon, Friday, 3 November 2017

*Note:*

- (1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input electronic application instructions from 9:00 a.m. on Tuesday, 31 October 2017 until 12:00 noon on Friday, 3 November 2017 (24 hours daily, except on the last application day).

The latest time for inputting your electronic application instructions will be 12:00 noon on Friday, 3 November 2017, the last application day or such later time as described in the paragraph headed “9. Effect of bad weather on the opening of the application lists” in this section below.

### **No multiple applications**

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any electronic application instructions to make an application for the Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

### **Section 40 of the Companies (WUMP) Ordinance**

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies (WUMP) Ordinance (as applied by Section 342E of the Companies (WUMP) Ordinance).

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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### Personal data

The section of the Application Form(s) headed “Personal data” applies to any personal data held by our Company, our Hong Kong Branch Share Registrar, the receiving bank(s), the Sole Sponsor, the Joint Bookrunners, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

### 6. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Public Offer Shares by giving electronic application instructions to HKSCC is only a facility provided to CCASS Participants. Such facility is subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Joint Bookrunners, the Sole Sponsor and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant will be allotted any Public Offer Shares.

To ensure that CCASS Investor Participants can give their electronic application instructions, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of electronic application instructions, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC’s Customer Service Centre to complete an input request form for electronic application instructions before 12:00 noon, Friday, 3 November 2017.

### 7. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked “For nominees” you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC, is made for your benefit (including the part of the application made by HKSCC Nominees acting on electronic application instructions). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

“Unlisted company” means a company with no equity securities listed on the Stock Exchange.

“Statutory control” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

### 8. HOW MUCH ARE THE PUBLIC OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for the Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form in respect of a minimum of 10,000 Public Offer Shares. Each application or electronic application instruction in respect of more than 10,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Form.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the paragraph headed “Structure and conditions of the Share Offer – Pricing and allocation” in this prospectus.

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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### 9. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 3 November 2017. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Friday, 3 November 2017 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed “Expected timetable” in this prospectus, an announcement will be made in such event.

### 10. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares on Tuesday, 14 November 2017 in The Standard (in English) and Sing Tao Daily (in Chinese), on our Company’s website at *www.apemacau.com* and on the website of the Stock Exchange at *www.hkexnews.hk*.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Public Offer will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company’s website at *www.apemacau.com* and the Stock Exchange’s website at *www.hkexnews.hk* by no later than 9:00 a.m. on Tuesday, 14 November 2017;
- from the designated results of allocations website at *www.ewhiteform.com.hk/results* with a “search by ID” function on a 24-hour basis from 9:00 a.m. on Tuesday, 14 November 2017 to 12:00 midnight on Tuesday, 21 November 2017;
- by telephone enquiry line by calling 2153 1688 between 9:00 a.m. and 6:00 p.m. from Tuesday, 14 November 2017 to Tuesday, 21 November 2017 on a business day;
- in the special allocation results booklets which will be available for inspection during opening hours from Tuesday, 14 November 2017 to Wednesday, 15 November 2017 at all the receiving bank’s designated branches and sub-branches.

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Public Offer Shares if the conditions of the Share Offer are satisfied and the Share Offer is not otherwise terminated. Further details are contained in the section headed “Structure and conditions of the Share Offer” in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

### **11. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES**

You should note the following situations in which the Public Offer Shares will not be allotted to you:

**(i) If your application is revoked:**

By completing and submitting an Application Form or giving electronic application instructions to HKSCC, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (WUMP) Ordinance (as applied by Section 342E of the Companies (WUMP) Ordinance) gives a public notice under that section which excludes or limits that person’s responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

**(ii) If our Company or our agents exercise their discretion to reject your application:**

Our Company, the Joint Bookrunners and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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**(iii) If the allotment of the Public Offer Shares is void:**

The allotment of the Public Offer Shares will be void if the Listing Division does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Division notifies our Company of that longer period within three weeks of the closing date of the application lists.

**(iv) If:**

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Public Offer Shares and Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Joint Bookrunners believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 100% of the Public Offer Shares initially offered under the Public Offer.

### **12. REFUND OF APPLICATION MONIES**

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK\$0.36 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Public Offer are not fulfilled in accordance with the paragraph headed "Structure and conditions of the Share Offer – Conditions of the Share Offer" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Tuesday, 14 November 2017.

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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### 13. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one Share certificate for all Public Offer Shares allotted to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by giving electronic application instructions to HKSCC via CCASS where the Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- Share certificate(s) for all the Public Offer Shares allotted to you (for **YELLOW** Application Forms, Share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Public Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of Share certificates and refund monies as mentioned below, any refund cheques and Share certificates are expected to be posted on or around Tuesday, 14 November 2017. The right is reserved to retain any Share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker’s cashier’s order(s).

Share certificates will only become valid at 8:00 a.m. on the Listing Date provided that the Share Offer has become unconditional and the right of termination described in the section headed “Underwriting” in this prospectus has not been exercised. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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### Personal collection

*(i) If you apply using a WHITE Application Form*

If you apply for 1,000,000 or more Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or Share certificate(s) from the Hong Kong Branch Share Registrar, Boardroom Share Registrars (HK) Limited, 31/F, 148 Electric Road, North Point, Hong Kong from 9:00 a.m. to 1:00 p.m. on Tuesday, 14 November 2017 or such other date as notified by us.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Branch Share Registrar.

If you do not collect your refund cheque(s) and/or Share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your refund cheque(s) and/or Share certificate(s) will be sent to the address on the relevant Application Form on Tuesday, 14 November 2017, by ordinary post and at your own risk.

*(ii) If you apply using a YELLOW Application Form*

If you apply for 1,000,000 Public Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Tuesday, 14 November 2017, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Tuesday, 14 November 2017, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS participant (other than a CCASS investor participant)*

For Public Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Public Offer Shares allotted to you with that CCASS participant.

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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- *If you are applying as a CCASS investor participant*

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in "Publication of Results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 14 November 2017 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

*(iii) If you apply via electronic application instructions to HKSCC*

*Allocation of the Public Offer Shares*

For the purposes of allocating the Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives electronic application instructions or each person for whose benefit instructions are given will be treated as an applicant.

*Deposit of Share certificates into CCASS and refund of application monies*

- If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Tuesday, 14 November 2017, or, on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Public Offer in the manner specified in "Publication of Results" above on Tuesday, 14 November 2017. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 14 November 2017 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give electronic application instructions on your behalf, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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- If you have applied as a CCASS Investor Participant, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Tuesday, 14 November 2017. Immediately following the credit of the Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Tuesday, 14 November 2017.

### 14. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the GEM Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

*The following is the text of a report received from our reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.*

**Deloitte.****德勤****ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF ASIA PIONEER ENTERTAINMENT HOLDINGS LIMITED AND SOUTHWEST SECURITIES (HK) CAPITAL LIMITED****Introduction**

We report on the historical financial information of Asia Pioneer Entertainment Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-33, which comprises the consolidated statements of financial position as at 31 December 2015, 31 December 2016 and 30 April 2017, the statement of financial position of the Company as at 30 April 2017, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the periods then ended (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-33 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 31 October 2017 (the "Prospectus") in connection with the initial listing of shares of the Company on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

**Directors' responsibility for the Historical Financial Information**

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

**Reporting accountants' responsibility**

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgment, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Opinion**

In our opinion the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Group's financial position as at 31 December 2015, 31 December 2016 and 30 April 2017, the Company's financial position as at 30 April 2017 and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

### **Review of stub period comparative financial information**

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the four months ended 30 April 2016 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review 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 Hong Kong 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. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

**Report on matters under the Rules Governing the Listing of Securities on the GEM of the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance**

*Adjustments*

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

*Dividends*

We refer to Note 11 to the Historical Financial Information which states that no dividend have been paid by the Company in respect of the Track Record Period.

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
Hong Kong  
31 October 2017

## HISTORICAL FINANCIAL INFORMATION OF THE GROUP

## Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, have been prepared in accordance with the accounting policies which conform with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standard Board ("IASB") and were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("Underlying Financial Statements").

The currency of the primary economic environment in which the group entities operate is United States Dollars ("US\$"). The Historical Financial Information is presented in Hong Kong dollars ("HK\$").

## CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December		Four months ended 30 April	
	NOTES	2015 HK\$	2016 HK\$	2016 HK\$	2017 HK\$
				(Unaudited)	
Revenue	6	48,174,780	52,576,234	15,168,769	20,208,000
Cost of sales and services		(28,634,786)	(29,347,887)	(7,946,729)	(10,884,785)
Gross profit		19,539,994	23,228,347	7,222,040	9,323,215
Other income, gains and losses	7	1,115,101	901,770	429,856	176,086
Operating expenses		(6,201,815)	(8,339,545)	(2,380,586)	(3,050,014)
Listing expenses		–	(4,331,870)	–	(5,003,756)
Profit before tax		14,453,280	11,458,702	5,271,310	1,445,531
Income tax expense	8	(1,694,582)	(1,896,421)	(586,935)	(761,271)
Profit and total comprehensive income for the year/period	9	<u>12,758,698</u>	<u>9,562,281</u>	<u>4,684,375</u>	<u>684,260</u>
Earnings per share					
Basic	12	<u>0.017</u>	<u>0.013</u>	<u>0.006</u>	<u>0.001</u>

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		At 31 December		At
	NOTES	2015	2016	30 April
		HK\$	HK\$	2017
				HK\$
<b>NON-CURRENT ASSETS</b>				
Property and equipment	13	265,260	385,593	685,075
Deposit for property and equipment		–	320,000	–
		<u>265,260</u>	<u>705,593</u>	<u>685,075</u>
<b>CURRENT ASSETS</b>				
Inventories	14	2,791,463	284,554	295,443
Trade and other receivables	15	3,930,992	11,245,002	10,708,651
Amounts due from shareholders	16	9,330,829	–	–
Fixed bank deposit	17	39,152	39,640	40,077
Bank balances and cash	18	14,816,802	15,710,607	20,669,279
		<u>30,909,238</u>	<u>27,279,803</u>	<u>31,713,450</u>
<b>CURRENT LIABILITIES</b>				
Trade and other payables	19	11,038,435	10,486,436	20,854,214
Amounts due to shareholders	16	–	26,179	–
Amounts due to related parties	20	745,067	1,660,117	786,116
Tax payable		2,528,483	1,883,016	2,644,287
		<u>14,311,985</u>	<u>14,055,748</u>	<u>24,284,617</u>
<b>NET CURRENT ASSETS</b>		<u>16,597,253</u>	<u>13,224,055</u>	<u>7,428,833</u>
<b>NET ASSETS</b>		<u>16,862,513</u>	<u>13,929,648</u>	<u>8,113,908</u>
<b>CAPITAL AND RESERVES</b>				
Share capital	21	–	–	25
Reserves		<u>16,862,513</u>	<u>13,929,648</u>	<u>8,113,883</u>
		<u>16,862,513</u>	<u>13,929,648</u>	<u>8,113,908</u>

## STATEMENT OF FINANCIAL POSITION OF THE COMPANY AS AT 30 APRIL 2017

	<i>NOTES</i>	At 30 April 2017 HK\$
Non-current asset		
Investments in subsidiaries	29	<u>6,553,653</u>
Current asset		
Other receivables	15	<u>1,442,242</u>
Current liabilities		
Trade and other payables	19	4,386,345
Amount due to a subsidiary	22	<u>1,658,830</u>
		<u>6,045,175</u>
Net current liabilities		<u>(4,602,933)</u>
Total net assets less current liabilities		<u><u>1,950,720</u></u>
Capital and reserve		
Share capital	21, 22	25
Reserves	30	<u>1,950,695</u>
		<u><u>1,950,720</u></u>

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital HK\$	Share premium HK\$	Merger reserve HK\$ (Note c)	Legal reserve HK\$ (Note a)	Accumulated profits HK\$	Total HK\$
At 1 January 2015	–	–	387,505	19,052	7,937,549	8,344,106
Profit and total comprehensive income for the year	–	–	–	–	12,758,698	12,758,698
Dividends (note 11)	–	–	–	–	(6,990,291)	(6,990,291)
Issuance of shares (Note b)	–	–	2,750,000	–	–	2,750,000
Transfer to legal reserves	–	–	–	485,437	(485,437)	–
At 31 December 2015	–	–	3,137,505	504,489	13,220,519	16,862,513
Profit and total comprehensive income for the year	–	–	–	–	9,562,281	9,562,281
Dividends (note 11)	–	–	–	–	(12,495,146)	(12,495,146)
At 31 December 2016	–	–	3,137,505	504,489	10,287,654	13,929,648
Profit and total comprehensive income for the period	–	–	–	–	684,260	684,260
Share swap upon reorganisation stated in note 2 (viii)	25	6,553,628	(6,553,653)	–	–	–
Dividends (note 11)	–	–	–	–	(6,500,000)	(6,500,000)
At 30 April 2017	<u>25</u>	<u>6,553,628</u>	<u>(3,416,148)</u>	<u>504,489</u>	<u>4,471,914</u>	<u>8,113,908</u>
(Unaudited)						
At 1 January 2016	–	–	3,137,505	504,489	13,220,519	16,862,513
Profit and total comprehensive income for the period	–	–	–	–	4,684,375	4,684,375
At 30 April 2016	<u>–</u>	<u>–</u>	<u>3,137,505</u>	<u>504,489</u>	<u>17,904,894</u>	<u>21,546,888</u>

*Note a:* In accordance with provision of the Macau Commercial Code, the subsidiary incorporated in Macau Special Administrative Region (“Macau”) 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.

*Note b:* In June 2015, 25,000 shares of Asia Pioneer Entertainment, Ltd. (“APE BVI”) were issued to Mr. Ng, Man Ho Herman (“Mr. Ng”) and Mr. Huie, Allen Tat Yan (“Mr. Huie”), two of the shareholders of APE BVI at a total consideration of HK\$2,750,000.

*Note c:* The balance of merger reserve at 31 December 2015 and 31 December 2016 represents the share capital of APE BVI attributable to the Controlling Equity Holders prior to the Reorganization (as set out in note 2 to the Historical Financial Information). The movement of merger reserve during the four months ended 30 April 2017 is arisen from the Reorganisation, which represents the difference between the nominal value of the shares of the Company issued for the acquisition of APE BVI as set out in note 2(viii) to the Historical Financial Information and the carrying amount of APE BVI at the date of completion of the Reorganisation.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December		Four months ended 30 April	
	2015 HK\$	2016 HK\$	2016 HK\$ (Unaudited)	2017 HK\$
<b>OPERATING ACTIVITIES</b>				
Profit before tax	14,453,280	11,458,702	5,271,310	1,445,531
Adjustments for:				
Depreciation of property and equipment	104,358	143,987	40,633	74,256
Write-off of inventories	–	88,306	–	–
Interest income	(441)	(1,178)	(583)	(576)
Gain on disposal of property and equipment	–	(1,942)	–	–
Operating cash flows before movements in working capital	14,557,197	11,687,875	5,311,360	1,519,211
(Increase) decrease in inventories	(2,791,463)	2,418,603	2,391,694	(10,889)
Decrease (increase) in trade and other receivables	6,339,496	(5,645,224)	(2,192,074)	2,032,855
Increase (decrease) in amounts due to related parties	218,887	915,050	158,683	(874,001)
(Decrease) increase in trade and other payables	(2,977,977)	(810,999)	(7,574,817)	10,367,778
Net cash from (used in) operations	15,346,140	8,565,305	(1,905,154)	13,034,954
Income tax paid	–	(2,541,888)	–	–
<b>NET CASH FROM (USED IN) OPERATING ACTIVITIES</b>	<b>15,346,140</b>	<b>6,023,417</b>	<b>(1,905,154)</b>	<b>13,034,954</b>
<b>INVESTING ACTIVITIES</b>				
Proceeds from disposal of property and equipment	–	1,942	–	–
Interest received	441	1,178	583	576
Repayments from related parties	106,452	–	–	–
Placement of fixed bank deposit	(73)	(488)	(488)	(437)
Purchase of property and equipment	(139,552)	(264,320)	(31,075)	(53,738)
Deposit for property and equipment	–	(320,000)	–	–
Advances to shareholders	(9,330,829)	(571,779)	–	–
Repayments from shareholders	–	3,433,641	2,690,219	–
<b>NET CASH (USED IN) FROM INVESTING ACTIVITIES</b>	<b>(9,363,561)</b>	<b>2,280,174</b>	<b>2,659,239</b>	<b>(53,599)</b>
<b>FINANCING ACTIVITIES</b>				
Proceeds from issue of shares	2,750,000	–	–	–
Dividends paid	(6,990,291)	(6,000,000)	–	(6,500,000)
Repayments to shareholders	(465,359)	–	–	(26,179)
Listing expenses paid	–	(1,409,786)	–	(1,496,504)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(4,705,650)</b>	<b>(7,409,786)</b>	<b>–</b>	<b>(8,022,683)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>1,276,929</b>	<b>893,805</b>	<b>754,085</b>	<b>4,958,672</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR/PERIOD</b>	<b>13,539,873</b>	<b>14,816,802</b>	<b>14,816,802</b>	<b>15,710,607</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD</b>	<b>14,816,802</b>	<b>15,710,607</b>	<b>15,570,887</b>	<b>20,669,279</b>

**NOTES TO THE HISTORICAL FINANCIAL INFORMATION****1. GENERAL**

The Company is a limited liability company incorporated in Cayman Islands on 22 February 2017. The registered address of the Company is PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands. The principal place of business is located at Avenida da Amizade No. 1023, Edificio Nam Fong, 1 andar(AA), Macau.

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

The Company is an investment holding company. During the Track Record Period, the sole operating subsidiary of the Group, namely, Asia Pioneer Entertainment Limited (“APE Macau”) was engaged in (1) procurement, distribution, assistance on fulfilling the requirement from relevant government authority 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 Machines and Equipment”); (2) the provision of consulting services to manufacturers of electronic gaming equipment including (a) regulatory consultancy; (b) product design and content consultancy; (c) localisation consultancy; and (d) on-site consultancy (“Consultancy and Technical Services”) and (3) the provision of repair services to casino operators (“Repair Services”).

Asia Pioneer Entertainment, Ltd (“APE BVI”), a company incorporated in the BVI, is the immediate holding company of APE Macau. APE BVI acts as an investment holding company.

The functional currency of the Company is United States Dollars (“US\$”). For the purpose of submitting the Historical Financial Information for inclusion in the prospectus of the Company in connection with the proposed initial listing shares of the Company on the Growth Enterprise Market of the Stock Exchange, the Historical Financial Information of the Group is presented in Hong Kong dollars (“HK\$”).

**2. BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION**

The Historical Financial Information has been prepared based on the accounting policies set out in note 4 which conform with International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standard Board (“IASB”) and the conventions applicable for group reorganisation (details are set out below).

Historically, the main operating activities of the Group were carried out by APE Macau, a 99.8% owned subsidiary of APE BVI, which is under the control of Mr. Huie, Allen Tat Yan (“Mr. Huie”), Mr. Ng, Man Ho Herman (“Mr. Ng”) and Mr. Chan Chi Lun (“Mr. Chan”) (together referred to as the “Controlling Equity Holders”). Mr. Huie, Mr. Ng and Mr. Chan have 38.33%, 38.33% and 20% beneficial interests in APE BVI, respectively. Each of Mr. Huie and Mr. Ng also held 10 shares in APE Macau, representing 0.1% beneficial interest in APE Macau. On 10 March 2017, the Controlling Equity Holders have reiterated acting in concert regarding the Group’s business in writing the fact they have always been.

In preparation for the listing of the Company’s shares on the Growth Enterprise Market of the Stock Exchange, the Group underwent the reorganisation as disclosed in the section headed “History, Reorganisation and corporate structure” in this prospectus (the “Reorganisation”) which mainly involves interspersing the Company between APE BVI (the holding company of APE Macau) and its shareholders, comprised of the following steps:

- (i) On 16 December 2016, a BVI company with limited liability in the name of APE HAT was incorporated where the authorised share capital of APE HAT was US\$50,000.00 divided into 50,000 shares of US\$1.00 each. On the same date, APE HAT allotted, issued and credited as fully paid 395 shares of US\$1.00 each to Mr. Ng, 395 shares of US\$1.00 each to Mr. Huie and 210 shares of US\$1.00 each to Mr. Chan, representing 39.5%, 39.5% and 21% equity interest in APE HAT respectively.
- (ii) On 28 November 2016, a BVI company with limited liability in the name of APE Special 1 Limited (“BVI Company 1”) was incorporated. On the date of incorporation, the authorised share capital was US\$50,000.00 divided into 50,000 shares of US\$1.00 each. BVI Company 1 allotted, issued and credited as fully paid one share of US\$1.00 to Mr. Huie, representing 100% equity interest in BVI Company 1.

On 28 November 2016, another BVI company with limited liability in the name of APE Special 2 Limited (“BVI Company 2”) was incorporated. On the date of incorporation, the authorised share capital was US\$50,000.00 divided into 50,000 shares of US\$1.00 each. BVI Company 2 allotted, issued and credited as fully paid one share of US\$1.00 to Mr. Ng, representing 100% equity interest in BVI Company 2.

- (iii) On 7 February 2017, the approval from the Macau Gaming Inspection and Coordination Bureau (the “DICJ”) in respect of the transfer of interests by Mr. Huie to BVI Company 1 and Mr. Ng to BVI Company 2 was obtained. On 27 February 2017, each of Mr. Huie and Mr. Ng sold their entire equity interests, being 10 shares representing 0.1% interest each in APE Macau to BVI Company 1 and BVI Company 2, respectively at a consideration of US\$1.00.
- (iv) On 22 February 2017, the Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands, being the holding company of the Group and the listing vehicle. On the date of incorporation, the authorised share capital of the Company was HK\$10,000 divided into 1,000,000 shares of HK\$0.01 each. Upon incorporation, one share was allotted and issued for HK\$0.01 to the first subscriber, Reid Services Limited. On the same day, the first subscriber transferred one issued share to APE HAT at the original issue price of HK\$0.01.
- (v) On 13 March 2017, Mr. Huie sold his entire equity interests, being one share of BVI Company 1 to the Company at a consideration of US\$1.00. BVI Company 1 will become a wholly and directly owned subsidiary of the Company immediately after this reorganisation.
- (vi) On 13 March 2017, Mr. Ng sold his entire equity interests, being one share of BVI Company 2 to the Company at a consideration of US\$1.00. BVI Company 2 will become a wholly and directly owned subsidiary of the Company immediately after this reorganisation.
- (vii) On 13 March 2017, APE HAT allotted, issued and credited as fully paid 597 shares of US\$1.00 each to Mr. Ng, 597 shares of US\$1.00 each to Mr. Huie and 306 shares of US\$1.00 each to Mr. Chan, representing 39.68%, 39.68% and 20.64% equity interest in APE HAT, respectively.
- (viii) On 14 March 2017, pursuant to a share swap agreement dated 14 March 2017, the Company acquired the entire 75,000 shares in APE BVI from Mr. Ng, Mr. Huie, Avanzare Limited (which is wholly owned by Mr. Chan) and Ms. Kong (the “Vendors”) respectively, in consideration of 2,416 shares and 83 shares credited as fully paid at par, being allotted and issued to APE HAT and Ms. Kong respectively. Upon completion of the disposal of APE BVI by the Vendors, the Company held the entire equity interests in APE BVI which in turn the Company was wholly owned by APE HAT and Ms. Kong as to 96.68% and 3.32% respectively.

The Company became the holding company of the companies now comprising the Group on 14 March 2017. Since the Controlling Equity Holders controls all the companies now comprising the Group during the Track Record Period and before and after the Reorganisation, the Group comprising the Company and its subsidiaries is regarded as a continuing entity. The Historical Financial Information has been prepared on the basis as if the Company has always been the holding company of the Group using the principle of merger accounting in accordance with the convention applicable for group reorganisation.

The consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and consolidated statements of cash flows for the Track Record Period which include the results, changes in equity and cash flows of the entities comprising the Group have been prepared if the current structure had been in existence throughout the Track Record Period, or since their respective dates of incorporation where there is shorter period.

The consolidated statements of financial position at 31 December 2015 and 31 December 2016 have been prepared to present the assets and liabilities of the entities comprising the Group as if the current group structure had been in existence at those dates taking into account the respective dates of incorporation, where applicable.

Apart of the Reorganisation and preparation of the proposed listing of its shares on GEM of the Stock Exchange, the Company has not commenced any business or operation since its incorporation.

### 3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”)

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has consistently adopted all IFRSs, International Accounting Standards (“IAS”), amendments to the standards and interpretations (“IFRIC”) which are effective for annual periods beginning on 1 January 2017 throughout the Track Record Period.

At the date of this report, the following new standards and amendments which may be relevant to the Group have been issued but are not yet effective. The Group has not early applied these standards and amendments.

IFRS 9	Financial Instruments <sup>1</sup>
IFRS 15	Revenue from Contracts with Customers <sup>1</sup>
IFRS 16	Leases <sup>2</sup>
IFRS 17	Insurance Contracts <sup>4</sup>
IFRIC 22	Foreign Currency Transactions and Advance Consideration <sup>1</sup>
IFRIC 23	Uncertainty over Income Tax Treatments <sup>2</sup>
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions <sup>1</sup>
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts <sup>1</sup>
Amendments to IFRS 15	Clarifications to IFRS 15 Revenue from Contracts with Customers <sup>1</sup>
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to IAS 40	Transfers of Investment Property <sup>1</sup>
Amendments to IFRSs	Annual Improvements to IFRS Standards 2014 – 2016 Cycle, except for amendments to IFRS 12 <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2019

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2021

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

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

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

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

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when ‘control’ of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

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

The management of the Group anticipates that the application of the other new standards and amendments will have no material impact on the consolidated financial statements of the Group in the future.

#### 4. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been prepared in accordance with the following accounting policies which conform with IFRSs. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange and by the Hong Kong Companies Ordinance.

The Historical Financial Information has been prepared on the historical cost basis at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Historical Financial Information is determined on such a basis, except leasing transactions that are within the scope of IAS 17 *Leases* and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

##### **Basis of consolidation**

The Historical Financial Information incorporates the financial information of the Company and its subsidiaries. Control is achieved when the Company:

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

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

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

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

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

***Merger accounting for business combination involving entities under common control***

The Historical Financial Information incorporates the financial statements items of the combining entities or business in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing carrying values from the controlling party's perspective. No amount is recognized in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets and liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statements of profit or loss and other comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

**Investments in subsidiaries**

Interests in subsidiaries are included in the Company's statement of financial position at cost less any identified impairment loss.

**Revenue recognition**

Revenue, representing the income from sales and distribution of electronic gaming machines and equipment, provision of consulting and technical services and repair services, is measured at the fair value of the consideration received or receivable and represents amounts receivable for good sold and service provided in the normal course of business, net of discounts.

***Sales of electronic gaming machines and equipment***

Revenue from the sale and distribution of electronic gaming machines and equipment is recognized when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

***Income from consulting and technical services***

Income from consulting and technical services is recognized over the contract period in accordance with the terms and substances of the consultancy contracts.

***Income from repair services***

Income from repair services represents the consideration received or receivable for providing repair services to casino operators.

Income from repair services are recognized when the related services are rendered.

***Service handling income***

Service handling income is recognized when the related services are rendered.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

**Leasing**

Leases are classified as finance leases whenever the terms of lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

***The Group as lessee***

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis.

**Foreign currencies**

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency at the rates of exchange prevailing on the dates of the transactions. At each of the reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognized in profit or loss in the period in which they arise.

**Retirement benefit costs**

Payments to the defined contribution retirement scheme are recognized as an expense when employees have rendered service entitling them to the contributions.

**Taxation**

Income tax expenses represent the sum of the tax currently payable.

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from 'profit before tax' as reported in the consolidated statements of profit or loss because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognized in profit or loss.

### Property and equipment

Property and equipment are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognized so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method, at the following rates per annum:

Leasehold improvements	33.33% or over lease term whichever is shorter
Furniture, fixtures and equipment	20%
Electrical equipment	20% – 33.33%
Computers	25%
Motor vehicles	20%

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

### Inventories

Inventories, which mainly represent the spare parts of electronic gaming machines held for sale and finished goods, are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

### Financial instruments

Financial assets and financial liabilities are recognized in the consolidated statements of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

#### *Financial assets*

The Group's financial assets are classified as loans and receivables.

#### *Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognized on an effective interest basis for financial assets.

#### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, receivables (including trade and other receivables, amounts due from shareholders, fixed bank deposit and bank balances and cash) are carried at amortised cost using the effective interest method, less any impairment.

Interest income is recognized by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

#### *Impairment of financial assets*

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For loans and receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it is becoming probable that the borrower will enter bankruptcy or financial re-organisation.

The amount of impairment loss recognized is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in carrying amount of the allowance account are recognized in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

#### *Financial liabilities and equity instruments*

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

#### *Equity instrument*

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the group entity are recognized at the proceeds received, net of direct issue costs.

#### *Other financial liabilities*

Other financial liabilities including trade payables, amounts due to shareholders and amounts due to related parties are subsequently measured at amortised cost, using the effective interest method.

#### *Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognized on an effective interest basis.

#### *Derecognition*

The Group derecognises a financial asset only when the contractual rights to receive cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

Financial liabilities are derecognized when, and only when, the Group's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

#### **Impairment losses on tangible assets**

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized as income immediately in profit or loss.

### **5. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Group's accounting policies which are described in note 4, the management of the Group is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

#### **Critical judgment on applying accounting policies**

The following are the critical judgment, apart from those involving estimations (see below), that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognized in the Historical Financial Information.

##### ***Revenue recognition on Technical Sales and Distribution of Electronic Gaming Equipment***

The Group enters into contracts with customers (casino operators) for Technical Sales and Distribution of Electronic Gaming Equipment include multi-elements as follows:

- (a) Procurement and delivery of electronic gaming equipment;
- (b) Assist in obtaining the local regulatory approval of the electronic gaming equipment;
- (c) On-site installation of the electronic gaming equipment at the casino;
- (d) After sales warranty service from three months to one year.

The directors of the Company considered that these multi-elements are not separately identifiable components and therefore, the revenue on Technical Sales and Distribution of Electronic Gaming Equipment is recognized as sales of goods, as disclosed in note 4, when the goods approved by local regulatory are delivered and titles have passed.

In making the judgment, the directors of the Company considered the details criteria for the recognition of sales of goods set out in IAS 18 *Revenue* and in particular, whether each component has separate commercial substance and should be separately identifiable. The directors of the Company believed that (1) the equipment installation service is incidental to the sales of goods, (2) the regulatory approval is highly interrelated with the sales of goods and (3) the warranty is of an assurance nature. Therefore, the directors of the Company satisfy that recognition of the Technical Sales and Distribution of Electronic Gaming Machines and Equipment is appropriate when the goods are delivered and title have passed.

#### Key sources of estimation uncertainty

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year.

#### *Estimated impairment of trade receivables*

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. The carrying amount of trade receivables as at 31 December 2015, 31 December 2016 and 30 April 2017 was approximately HK\$2,612,674, HK\$7,523,472 and HK\$3,692,887, respectively.

## 6. REVENUE AND SEGMENT INFORMATION

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

For the purpose of resources allocation and performance assessment, the chief operating decision maker ("CODM") reviews the overall results and financial position of the Group as a whole prepared based on same accounting policies set out in note 4. Accordingly, the Group has only one single operating segment and no further discrete financial information nor analysis of this single segment is presented.

#### Revenue from major products and services

	Year ended 31 December		Four months ended 30 April	
	2015 HK\$	2016 HK\$	2016 HK\$	2017 HK\$
			(Unaudited)	
Technical Sales and Distribution of Electronic Gaming Machines and Equipment	41,636,758	41,842,696	12,673,284	15,498,523
Consulting and Technical Services	4,737,401	8,644,766	1,754,035	3,604,796
Repair Services	1,800,621	2,088,772	741,450	1,104,681
	48,174,780	52,576,234	15,168,769	20,208,000

**Information about major customers**

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

	Year ended 31 December		Four months ended 30 April	
	2015 HK\$	2016 HK\$	2016 HK\$	2017 HK\$
			(Unaudited)	
Customer A	30,464,773	N/A <sup>#</sup>	N/A <sup>#</sup>	N/A <sup>#</sup>
Customer B	N/A <sup>#</sup>	7,106,570	N/A <sup>#</sup>	N/A <sup>#</sup>
Customer C	N/A <sup>#</sup>	12,645,066	2,268,547	3,220,669
Customer D	N/A <sup>#</sup>	11,469,070	N/A <sup>#</sup>	2,401,400
Customer E	N/A <sup>#</sup>	10,870,445	5,706,465	8,993,600

<sup>#</sup> The corresponding revenue did not contribute over 10% of the Group's revenue.

**Geographical information**

The Group primarily operates in Macau. All of the revenue are derived in Macau and substantially all of the non-current assets of the Group are located in Macau.

**7. OTHER INCOME, GAINS AND LOSSES**

	Year ended 31 December		Four months ended 30 April	
	2015 HK\$	2016 HK\$	2016 HK\$	2017 HK\$
			(Unaudited)	
Service handling income	1,045,400	1,081,664	384,879	286,274
Administrative fee received from related parties	103,690	87,379	29,126	–
Bank interest income	441	1,178	583	576
Gain on disposal of property and equipment	–	1,942	–	–
Others	91,447	109,533	33,870	6,064
Net foreign exchange loss	(125,877)	(379,926)	(18,602)	(116,828)
	<u>1,115,101</u>	<u>901,770</u>	<u>429,856</u>	<u>176,086</u>

**8. INCOME TAX EXPENSE**

	Year ended 31 December		Four months ended 30 April	
	2015 HK\$	2016 HK\$	2016 HK\$	2017 HK\$
			(Unaudited)	
Current tax:				
Macau Complementary Tax	1,694,582	1,883,016	586,935	761,271
Underprovision in prior years/periods	–	13,405	–	–
	<u>1,694,582</u>	<u>1,896,421</u>	<u>586,935</u>	<u>761,271</u>

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

The Group is subject to Macau Complementary Tax at a rate of 12% on the assessable income exceeding MOP600,000 (approximately equivalent to HK\$583,000) for each of the assessment year/period during the Track Record Period.

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

The income tax expense for the Track Record Period can be reconciled to the profit before tax per the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended 31 December		Four months ended 30 April	
	2015 HK\$	2016 HK\$	2016 HK\$ (Unaudited)	2017 HK\$
Profit before tax	14,453,280	11,458,702	5,271,310	1,445,531
Tax at the income tax rate of 12%	1,734,394	1,375,044	632,557	173,464
Effect of income that is not taxable in determining taxable profits	(69,903)	(69,903)	(23,301)	(23,301)
Tax effect of income not taxable for tax purpose	–	–	(22,321)	–
Tax effect of expenses not deductible for tax purpose	30,091	577,875	–	611,108
Underprovision in prior years/periods	–	13,405	–	–
Income tax expense for the year/period	1,694,582	1,896,421	586,935	761,271

#### 9. PROFIT FOR THE YEAR/PERIOD

	Year ended 31 December		Four months ended 30 April	
	2015 HK\$	2016 HK\$	2016 HK\$ (Unaudited)	2017 HK\$
Profit for the year/period has been arrived at after charging:				
Directors' remuneration ( <i>Note 10</i> )	708,926	809,115	223,204	223,204
Other staff costs				
– salaries and allowances	3,912,417	5,472,484	1,484,049	2,170,222
– retirement benefits scheme contributions	17,534	18,379	4,748	6,932
	4,638,877	6,299,978	1,712,001	2,400,358
Auditor's remuneration	248,235	253,000	84,000	388,350
Depreciation of property and equipment	104,358	143,987	40,633	74,256
Write-off of inventories	–	88,306	–	–
Cost of inventories recognized as an expense	25,443,873	24,586,527	6,739,824	9,163,618
Minimum lease payment in respect of rental premises	422,726	472,544	146,074	205,314

## 10. EMOLUMENTS OF DIRECTORS, CHIEF EXECUTIVE AND EMPLOYEES

## (a) Directors and Chief Executive

On 15 March 2017, Mr. Huie was appointed as executive director and chairman of the Company and Mr. Ng was appointed as the chief executive officer and executive director of the Company. Mr. Choi Kwok Wai, Mr. Ho Kevin King Lun and Mr. Ma Chi Seng were appointed as independent non-executive directors of the Company on 25 October 2017.

Certain of the directors of the Company received remuneration from subsidiaries now comprising the Group for their appointment as directors or officers of these subsidiaries. The remuneration of each of these directors as recorded in the financial statements of the subsidiaries is set out below:

*For the year ended 31 December 2015*

	Mr. Ng HK\$	Mr. Huie HK\$	Total HK\$
Salaries and allowances	654,393	–	654,393
Performance related bonus ( <i>Note</i> )	54,533	–	54,533
	<u>708,926</u>	<u>–</u>	<u>708,926</u>

*For the year ended 31 December 2016*

	Mr. Ng HK\$	Mr. Huie HK\$	Total HK\$
Salaries and allowances	669,612	–	669,612
Performance related bonus ( <i>Note</i> )	139,503	–	139,503
	<u>809,115</u>	<u>–</u>	<u>809,115</u>

*For the four months ended 30 April 2016 (unaudited)*

	Mr. Ng HK\$	Mr. Huie HK\$	Total HK\$
Salaries and allowances	223,204	–	223,204
Performance related bonus ( <i>Note</i> )	–	–	–
	<u>223,204</u>	<u>–</u>	<u>223,204</u>

*For the four months ended 30 April 2017*

	Mr. Ng HK\$	Mr. Huie HK\$	Total HK\$
Salaries and allowances	223,204	–	223,204
Performance related bonus ( <i>Note</i> )	–	–	–
	<u>223,204</u>	<u>–</u>	<u>223,204</u>

*Note:* The discretionary bonus is determined by reference to the duties and responsibilities of Mr. Ng and the Group's performance.

**(b) Employees**

For the Track Record Period, out of the five individuals with the highest emoluments in the Group, one, one, one (unaudited), one was the executive director of the Company for the year ended 31 December 2015 and 2016 and the four months ended 30 April 2016 and 2017 respectively, whose emoluments included in Note 10(a). The emoluments of the remaining four, four, four (unaudited), four individuals are as follows:

	Year ended 31 December		Four months ended 30 April	
	2015 HK\$	2016 HK\$	2016 HK\$	2017 HK\$
			(Unaudited)	
Salaries and allowances	1,373,034	1,441,032	478,576	600,419
Performance related bonus	107,774	259,095	–	77,670
Retirement benefit scheme contributions	1,049	1,049	350	700
	<u>1,481,857</u>	<u>1,701,176</u>	<u>478,926</u>	<u>678,789</u>

The number of the highest paid individuals fell within the following band:

	Year ended 31 December		Four months ended 30 April	
	2015	2016	2016 (Unaudited)	2017
Nil to HK\$1,000,000	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>

During the Track Record Period, no emoluments were paid by the Group to the director or any of the five highest paid individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

**11. DIVIDENDS**

During the year ended 31 December 2015 and 2016 and the four months ended 30 April 2017, APE BVI declared dividends of an aggregate amount of HK\$6,990,291, HK\$12,495,146 and HK\$6,500,000 respectively, to its shareholders. The rate of dividends and number of shares ranking for the dividends are not presented as such information is not considered meaningful having regard to the purpose of this report.

**12. EARNINGS PER SHARE**

The calculation of basic earnings per share is based on the following data:

	Year ended 31 December		Four months ended 30 April	
	2015 HK\$	2016 HK\$	2016 HK\$	2017 HK\$
			(Unaudited)	
Earnings				
Earnings for the purpose of calculating basic earnings per share (profit for the year/period attributable to the owners of the Company)	<u>12,758,698</u>	<u>9,562,281</u>	<u>4,684,375</u>	<u>684,260</u>

	'000	'000	'000	'000
Number of shares				
Number of shares for the purpose of calculating basic earnings per share	<u>750,000</u>	<u>750,000</u>	<u>750,000</u>	<u>750,000</u>

The number of ordinary shares for the purpose of calculating basic earnings per share has been determined on the assumption that the Reorganisation and the capitalization issue as described in Appendix IV to the Prospectus had been effective on 1 January 2015.

No diluted earnings per share for the Track Record Period was presented as there were no potential ordinary shares in issue during the Track Record Period.

### 13. PROPERTY AND EQUIPMENT

	Leasehold improvements <i>HK\$</i>	Furniture, fixture and equipment <i>HK\$</i>	Electrical equipment <i>HK\$</i>	Computers <i>HK\$</i>	Motor vehicles <i>HK\$</i>	Total <i>HK\$</i>
<b>COST</b>						
At 1 January 2015	223,686	91,689	131,072	280,438	103,000	829,885
Additions	12,621	25,005	9,798	92,128	–	139,552
At 31 December 2015	236,307	116,694	140,870	372,566	103,000	969,437
Additions	–	2,810	5,558	87,952	168,000	264,320
Disposals	–	–	–	–	(103,000)	(103,000)
At 31 December 2016	236,307	119,504	146,428	460,518	168,000	1,130,757
Additions	–	–	–	53,738	320,000	373,738
At 30 April 2017	<u>236,307</u>	<u>119,504</u>	<u>146,428</u>	<u>514,256</u>	<u>488,000</u>	<u>1,504,495</u>
<b>DEPRECIATION</b>						
At 1 January 2015	146,858	74,051	55,013	220,897	103,000	599,819
Charge for the year	38,209	8,291	21,060	36,798	–	104,358
At 31 December 2015	185,067	82,342	76,073	257,695	103,000	704,177
Charge for the year	38,290	10,441	22,382	53,274	19,600	143,987
Eliminated on disposals	–	–	–	–	(103,000)	(103,000)
At 31 December 2016	223,357	92,783	98,455	310,969	19,600	745,164
Charge for the period	8,811	3,024	6,621	23,267	32,533	74,256
At 30 April 2017	<u>232,168</u>	<u>95,807</u>	<u>105,076</u>	<u>334,236</u>	<u>52,133</u>	<u>819,420</u>
<b>CARRYING VALUES</b>						
At 31 December 2015	<u>51,240</u>	<u>34,352</u>	<u>64,797</u>	<u>114,871</u>	<u>–</u>	<u>265,260</u>
At 31 December 2016	<u>12,950</u>	<u>26,721</u>	<u>47,973</u>	<u>149,549</u>	<u>148,400</u>	<u>385,593</u>
At 30 April 2017	<u>4,139</u>	<u>23,697</u>	<u>41,352</u>	<u>180,020</u>	<u>435,867</u>	<u>685,075</u>

## 14. INVENTORIES

	At 31 December		At 30 April
	2015	2016	2017
	HK\$	HK\$	HK\$
Spare parts	354,435	284,554	295,443
Finished goods in transit	2,437,028	–	–
	<u>2,791,463</u>	<u>284,554</u>	<u>295,443</u>

## 15. TRADE AND OTHER RECEIVABLES

	The Group			The Company
	At 31 December	At 30 April	At 30 April	At 30 April
	2015	2016	2017	2017
	HK\$	HK\$	HK\$	HK\$
Trade receivables	2,612,674	7,523,472	3,692,887	–
Purchase and trial product deposits	316,789	1,127,076	2,448,784	–
Other receivables	686,754	926,898	1,311,134	–
Prepayment and deposits	314,775	187,606	199,610	–
Prepaid listing expenses	–	1,479,950	3,056,236	1,442,242
	<u>3,930,992</u>	<u>11,245,002</u>	<u>10,708,651</u>	<u>1,442,242</u>

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

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

	At 31 December		At 30 April
	2015	2016	2017
	HK\$	HK\$	HK\$
0 – 30 days	1,004,532	3,090,439	370,449
31 – 60 days	651,716	1,687,798	1,643,158
61 – 90 days	59,714	2,743,949	901,854
Over 90 days	896,712	1,286	777,426
	<u>2,612,674</u>	<u>7,523,472</u>	<u>3,692,887</u>

Before accepting any new customer, the Group assesses the potential customer's credit quality. Credit limits attributed to customers and credit term granted to customers are reviewed regularly. Due dates of the trade receivables are determined based on the agreed payment dates as stipulated in the invoice.

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

Included in the Group's trade receivables balance are debtors with an aggregate carrying amount of approximately HK\$1,523,733, HK\$4,433,033 and HK\$3,322,438 as at 31 December 2015, 31 December 2016 and 30 April 2017, respectively, which are past due at the end of reporting period, for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and amounts are still considered recoverable based on historical experience. The Group does not hold any collateral over these balances.

The following is the aging of trade receivables which are past due but not impaired.

	At 31 December		At 30 April
	2015	2016	2017
	HK\$	HK\$	HK\$
Overdue by:			
Within 30 days	567,307	900,922	1,643,158
31 – 60 days	59,714	3,530,825	901,854
61 – 90 days	820,601	1,286	181,741
Over 90 days	76,111	–	595,685
	<u>1,523,733</u>	<u>4,433,033</u>	<u>3,322,438</u>

#### 16. AMOUNTS DUE FROM (TO) SHAREHOLDERS

As at 31 December 2015, amounts due from shareholders mainly represented advances provided by the Group to shareholders with carrying amount of HK\$9,330,829. As at 31 December 2016, amounts due to shareholders represented the outstanding dividend due to shareholders with carrying amount of HK\$26,179. All the balances are non-trade, unsecured, non-interest bearing and repayable on demand.

Details of the amounts due from shareholders disclosed pursuant to the Hong Kong Companies Ordinance are as follows:

	At 1 January	At 31 December		At 30 April	Maximum amount outstanding during the year ended		the four months ended
	2015	2015	2016	2017	31 December	2016	30 April
	HK\$	HK\$	HK\$	HK\$	2015	2016	2017
					HK\$	HK\$	HK\$
Mr. Ng	–	5,687,318	–	–	5,687,318	5,687,318	–
Mr. Huie	–	2,274,887	–	–	2,274,887	2,274,887	–
Avanzare Limited (Note)	–	1,201,942	–	–	1,201,942	1,201,942	–
Ms. Kong Kam Pui	–	166,682	–	–	166,682	166,682	–
	<u>–</u>	<u>9,330,829</u>	<u>–</u>	<u>–</u>			

Details of the amounts due to shareholders are as follows.

	At 31 December		At 30 April
	2015	2016	2017
	HK\$	HK\$	HK\$
Mr. Ng	–	25,208	–
Mr. Huie	–	971	–
	<u>–</u>	<u>26,179</u>	<u>–</u>

Note: Avanzare Limited is wholly-owned by Mr. Chan, one of the Controlling Equity Holders.

#### 17. FIXED BANK DEPOSIT

Fixed bank deposit carries interest rate at 1.24%, 1.10% and 0.19% per annum as at 31 December 2015, 31 December 2016 and 30 April 2017, respectively with the original maturity over 3 months.

**18. BANK BALANCES AND CASH**

Bank balances carry interest at prevailing market rates at 0.01% per annum as at 31 December 2015, 31 December 2016 and 30 April 2017.

**19. TRADE AND OTHER PAYABLES**

	The Group			The Company
	At 31 December 2015 HK\$	2016 HK\$	At 30 April 2017 HK\$	At 30 April 2017 HK\$
Trade payables	8,593,815	7,873,294	7,747,012	–
Receipts in advance	1,822,804	1,500,248	7,984,484	–
Payables for listing expenses	–	750,749	4,386,345	4,386,345
Other payables and accrued expenses	621,816	362,145	736,373	–
	<u>11,038,435</u>	<u>10,486,436</u>	<u>20,854,214</u>	<u>4,386,345</u>

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 31 December 2015 HK\$	2016 HK\$	At 30 April 2017 HK\$
0 – 30 days	1,229,545	1,174,225	46,236
31 – 90 days	234,231	3,858,096	7,700,558
Over 90 days	7,130,039	2,840,973	218
	<u>8,593,815</u>	<u>7,873,294</u>	<u>7,747,012</u>

**20. AMOUNTS DUE TO RELATED PARTIES**

As at 31 December 2015, 31 December 2016 and 30 April 2017, amounts due to related parties represents the payable to Tai Pong Fat Construction and Investment Company Limited ("Tai Pong Fat") and Kuawai Technology Limited ("Kuawai"), respectively. The amounts are unsecured, non-interest bearing and repayable within 30 days.

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

	Relationship	At 31 December 2015 HK\$	2016 HK\$	At 30 April 2017 HK\$
Tai Pong Fat (Note a)	Mr. Ng, one of the Controlling Entity Holders, has significant influence over Tai Pong Fat	103,862	8,544	10,456
Kuawai (Note b)	Kuawai is an entity owned by two relatives of a key management personnel of APE Macau	641,205	1,651,573	775,660
		<u>745,067</u>	<u>1,660,117</u>	<u>786,116</u>

*Notes:*

- (a) Amounts represent the payable for rental and other expenses.
- (b) Amounts represent the trade payable for repair services and purchase of spare parts.

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

	At 31 December		At 30 April
	2015	2016	2017
	HK\$	HK\$	HK\$
0 – 30 days	371,375	159,478	246,956
31 – 90 days	70,796	41,496	528,704
Over 90 days	199,034	1,450,599	–
	<u>641,205</u>	<u>1,651,573</u>	<u>775,660</u>

**21. SHARE CAPITAL**

Upon completion of the Reorganisation, the share capital of the Group as at 30 April 2017 represented the issued share capital of the Company with carrying amount of HK\$25.

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

	Number of shares	Share capital HK\$
Ordinary shares of HK\$0.01 each		
Authorised:		
On date of incorporation on 22 February 2017 and at 30 April 2017	<u>1,000,000</u>	<u>10,000</u>
Issued:		
1 share allotted and issued upon incorporation	1	–
Issue of shares on 14 March 2017 pursuant to the Reorganisation	<u>2,499</u>	<u>25</u>
At 30 April 2017	<u>2,500</u>	<u>25</u>

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

**22. INFORMATION ON THE COMPANY**

On 22 February 2017, the Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. On the date of incorporation, the authorised share capital of the Company was HK\$10,000 divided into 1,000,000 shares of HK\$0.01 each.

Including in the statement of financial position as at 30 April 2017, the amount due to a subsidiary is unsecured, interest-free and repayable on demand.

No dividend was paid or declared by the Company since its incorporation.

**23. CAPITAL RISK MANAGEMENT**

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged throughout the Track Record Period.

The capital structure of the Group consists of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves including accumulated profits.

The management of the Group reviews the capital structure from time to time. As a part of this review, the management considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management, the Group will balance its overall capital structure through the payment of dividends, the issue of new shares, new debts or the redemption of debts.

**24. FINANCIAL INSTRUMENTS****a. Categories of financial instruments**

	The Group			The Company
	At 31 December	At 30 April		At 30 April
	2015	2016	2017	2017
	HK\$	HK\$	HK\$	HK\$
<b>Financial assets</b>				
Loans and receivables (including cash and cash equivalents)	27,538,574	24,271,813	25,904,138	–
<b>Financial liabilities</b>				
Amortised cost	9,960,698	10,672,484	12,891,963	5,845,175

**b. Financial risk management objectives and policies**

The Group's and the Company's major financial instruments include trade and other receivables, amounts due from (to) shareholders, fixed bank deposit, bank balances and cash, trade and other payables, amounts due to related parties and amount due to a subsidiary. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (interest rate risk), liquidity risk and credit risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

**Market risk***Interest rate risk*

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances. The Group currently does not enter into any hedging instrument for cash flow interest rate risk.

No sensitivity analysis of bank balances of the Group is presented as all bank balances carry interest rate below 0.1%.

**Liquidity risk**

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Weighted average effective interest rate %	Repayable on demand HK\$	Within 3 months HK\$	Total undiscounted cash flows HK\$	Carrying amount HK\$
<u>At 31 December 2015</u>					
<b>Non-derivative financial liabilities</b>					
Trade payables	–	7,142,270	1,451,545	8,593,815	8,593,815
Other payables and accruals	–	–	621,816	621,816	621,816
Amounts due to related parties	–	373,692	371,375	745,067	745,067
		<u>7,515,962</u>	<u>2,444,736</u>	<u>9,960,698</u>	<u>9,960,698</u>
<u>At 31 December 2016</u>					
<b>Non-derivative financial liabilities</b>					
Trade payables	–	6,699,069	1,174,225	7,873,294	7,873,294
Other payables and accruals	–	–	1,112,894	1,112,894	1,112,894
Amounts due to shareholders	–	26,179	–	26,179	26,179
Amounts due to related parties	–	1,500,639	159,478	1,660,117	1,660,117
		<u>8,225,887</u>	<u>2,446,597</u>	<u>10,672,484</u>	<u>10,672,484</u>
<u>At 30 April 2017</u>					
<b>Non-derivative financial liabilities</b>					
Trade payables	–	2,576,180	5,170,832	7,747,012	7,747,012
Other payables and accruals	–	–	4,358,835	4,358,835	4,358,835
Amounts due to related parties	–	539,160	246,956	786,116	786,116
		<u>3,115,340</u>	<u>9,776,623</u>	<u>12,891,963</u>	<u>12,891,963</u>

The financial liabilities of the Company are interest free and repayable on demand as at 30 April 2017.

#### **Credit risk**

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations at the end of the reporting period in relation to each class of recognized financial assets is the carrying amount of those assets as stated in the consolidated statements of financial position. The Group's credit risk is primarily attributable to its trade receivables and amounts due from shareholders. In order to minimise the credit risk, the management of the Group is responsible for determination of credit limits and other monitoring procedures to ensure that follow-up action is taken to recover overdue receivables. In addition, the Group reviews the recoverable amount of each individual trade receivable at the end of each reporting period to ensure that adequate allowance are made for irrecoverable amounts. In this regard, the management considers that the Group's credit risk is significantly reduced.

The Group has concentration of credit risk as 27%, 27% and 46%, respectively, of the Group's trade receivables as at 31 December 2015, 31 December 2016 and 30 April 2017 are due from the Group's largest customer where the balances are mainly generated from the sales of electronic gaming machines and equipment. In respect of this customer, given its good repayment history, the management considers that the credit risk associated with the balances of this customer is low.

The credit risk on bank balance is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

**c. Fair value measurements of financial instruments**

The fair values of the financial assets and financial liabilities have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis.

The management considers that the carrying amounts of financial assets and financial liabilities recognized in the Historical Financial Information approximate their fair values.

**25. MAJOR NON-CASH TRANSACTIONS**

During the year ended 31 December 2016, dividends amounting to HK\$6,495,146 was offset against with the current accounts with the respective shareholders of APE BVI.

**26. OPERATING LEASE COMMITMENTS**

**The Group as lessee**

At the end of each reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	<b>At 31 December</b>		<b>At 30 April</b>
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Within one year	208,800	92,792	590,772
In the two to five years	79,200	–	–
	<u>288,000</u>	<u>92,792</u>	<u>590,772</u>

Operating lease payments represent rentals payable by the Group for certain of its office and car parks. Leases are negotiated and rentals are fixed for one to two years.

**27. RELATED PARTY TRANSACTIONS**

Apart from details of the balances with related parties disclosed in the consolidated statements of financial position and other details disclosed elsewhere in the Historical Financial Information, the Group also entered into the following significant transactions with related parties during the Track Record Period:

<b>Name of related company</b>	<b>Nature of transaction</b>	<b>Year ended 31 December</b>		<b>Four months ended 30 April</b>	
		<b>2015</b>	<b>2016</b>	<b>2016</b>	<b>2017</b>
		<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
				(Unaudited)	
Tai Pong Fat ( <i>Note a</i> )	Administrative fee received	16,311	–	–	–
	Rental expense	182,726	165,250	55,083	54,757
	Other expenses	10,728	8,544	–	–
Kuawai ( <i>Note b</i> )	Administrative fee received	87,379	87,379	29,126	–
	Sales of spare parts	–	98,784	98,784	–
	Outsourcing fees on repair services to the Group	1,523,252	1,789,462	591,978	943,848
	Purchase of spare parts	1,758,890	778,104	76,450	–
		<u>1,758,890</u>	<u>778,104</u>	<u>76,450</u>	<u>–</u>

*Notes:*

- (a) Tai Pong Fat is partly owned by Mr. Ng. Mr. Ng, one of the Controlling Equity Holders, has significant influence over Tai Pong Fat.
- (b) Kuawai is an entity owned by two relatives of a key management member of APE Macau.

**Compensation of key management personnel**

The directors of the Company is identified as key management members of the Group, and their compensation during the Track Record Period is set out in note 10.

**28. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES**

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statements of cash flows as cash flows from financing activities.

	<b>Dividends payables HK\$</b>	<b>Amounts due to shareholders HK\$</b>
At 1 January 2015	–	465,359
Financing cash flow	(6,990,291)	(465,359)
Dividend recognised as distribution	6,990,291	–
	<hr/>	<hr/>
At 31 December 2015	–	–
Financing cash flow	(6,000,000)	–
Dividend recognised as distribution	12,495,146	–
Non-cash change: Offsetting against current accounts	(6,495,146)	26,179
	<hr/>	<hr/>
At 31 December 2016	–	26,179
Financing cash flow	(6,500,000)	(26,179)
Dividend recognised as distribution	6,500,000	–
	<hr/>	<hr/>
At 30 April 2017	<hr/> <hr/>	<hr/> <hr/>

**29. INVESTMENTS IN SUBSIDIARIES**

	<b>The Company</b>
	<b>As at 30 April 2017</b>
	<b>HK\$</b>
Unlisted investments	6,553,653
	<hr/> <hr/>

As of the date of this report, the Company has direct and indirect equity interest in the following subsidiaries:

Name of subsidiaries	Place and date of incorporation/ establishment	Issued fully and paid registered capital/ capital	Shareholding/equity interest attributable to the Company			Principal activities	Note	
			At 31 December 2015	At 30 April 2016	At 30 April 2017			
Directly held:								
Asia Pioneer Entertainment, Ltd.	British Virgin Islands 14 November 2005	US\$75,000	100%	100%	100%	100%	Investment holding	(a)
APE Special 1 Limited	British Virgin Islands 28 November 2016	US\$1	–	100%	100%	100%	Investment holding	(a)
APE Special 2 Limited	British Virgin Islands 28 November 2016	US\$1	–	100%	100%	100%	Investment holding	(a)
Indirectly held:								
Asia Pioneer Entertainment Limited	Macau Special Administrative Region 24 May 2006	MOP1,000,000	99.8%	99.8%	100%	100%	Technical sales and distribution, consulting and repair services of gaming machines	(b)

All subsidiaries comprising the Group has adopted 31 December as their financial year end date.

Note:

- (a) No audited financial statements have been prepared for the year ended 31 December 2015 and 2016 as these companies were incorporated in the jurisdiction where there is no statutory audit requirements.
- (b) The statutory financial statements of APE Macau for the year ended 31 December 2015 and 2016 were prepared in accordance with relevant accounting principles and financial regulations applicable to the Macau enterprises and were audited by Keng Ou CPAs, certified public accountants registered in Macau.

### 30. RESERVES OF THE COMPANY

	Share premium HK\$	Accumulated loss HK\$	Total HK\$
At date of incorporation	–	–	–
Loss and total comprehensive expense for the period	–	(4,602,933)	(4,602,933)
Share swap upon reorganisation stated in note 2(viii)	6,553,628	–	6,553,628
At 30 April 2017	6,553,628	(4,602,933)	1,950,695

**31. DIRECTORS' EMOLUMENTS**

Under the arrangement presently in force, the emoluments of the directors of the Company for the year ending 31 December 2017, excluding discretionary bonus and share options, if any, is estimated to be approximately HK\$669,000.

**32. SUBSEQUENT EVENTS**

Save as disclosed elsewhere in the section headed "Financial information" in this prospectus, subsequent events of the Group and details as below:

On 25 October 2017, written resolutions of all shareholders of the Company were passed to approve the below matters set out in the paragraph headed "Further information about our Company – 3. Resolutions in writing of all Shareholders passed on 25 October 2017" in Appendix IV to the Prospectus.

It was conditional on (1) the listing division of the Stock Exchange granting listing of, and permission to deal in, the shares in issue and shares to be issued as mentioned in the Prospectus; (2) the execution and delivery of the Underwriting Agreement (as defined in the Prospectus) on or before the date as mentioned in the Prospectus; and (3) the obligations of the Underwriters (as defined in the Prospectus) under the Underwriting Agreement becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreement or otherwise, in each case on or before the day falling 30 days after the date of the issue of the Prospectus:

- (i) the Share Offer (as defined in the Prospectus) was approved and the directors of the Company were authorized to allot and issue the offer shares pursuant to the Share Offer to rank *pari passu* with the then existing shares in all respects;
- (ii) the increase in authorized share capital of the Company from HK\$10,000 divided into 1,000,000 shares of HK\$0.01 each, to HK\$100,000,000 divided into 10,000,000,000 shares of HK\$0.01 each, each share ranks *pari passu* in all respects with the existing shares was approved;
- (iii) it was conditional further on the share premium account of the Company being credited as a result of the Share Offer, the directors of the Company were authorized to capitalise an amount of HK\$7,499,975 standing to the credit of the share premium account of the Company and to appropriate such amount as to capital to pay up in full at par 749,997,500 shares for allotment and issue to the persons whose names appear on the register of members of the Company immediately before the completion of the Share Offer in proportion (as nearly as possible without involving fractions) to their then existing shareholdings in the Company, each ranking *pari passu* in all respects with the then existing issued shares; and
- (iv) the rules of the share option scheme, the principal terms of which are set out in the paragraph headed "Share Option Scheme" in Appendix IV to the prospectus, were approved and adopted.

**33. SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements of the Group, the Company or its subsidiaries have been prepared in respect of any period subsequent to 30 April 2017.

### UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group prepared in accordance with Rule 7.31(1) of the GEM Listing Rules is set out below to illustrate the effect of the Share Offer on the audited consolidated net tangible assets of the Group as if the Share Offer had taken place on 30 April 2017.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, may not give a true picture of the consolidated net tangible assets of the Group as at 30 April 2017 or any future dates following the Share Offer.

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group is prepared based on the audited consolidated net tangible assets of the Group as at 30 April 2017 as shown in the Accountants' Report as set out in Appendix I to this prospectus, and adjusted as follows:

	<b>Audited consolidated net tangible assets of the Group as at 30 April 2017</b>	<b>Estimated net proceeds from the Share Offer</b>	<b>Unaudited pro forma adjusted consolidated net tangible assets of the Group as at 30 April 2017</b>	<b>Unaudited pro forma adjusted consolidated net tangible assets of the Group per Share as at 30 April 2017</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$</i>
	<i>Note 1</i>	<i>Note 2</i>		<i>Note 3</i>
Based on a minimum Offer				
Price of HK\$0.24 per				
Offer Share	8,114	45,259	53,373	0.05
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Based on a maximum Offer				
Price of HK\$0.36 per				
Offer Share	8,114	73,759	81,873	0.08
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

*Notes:*

- (1) The amount of audited consolidated net tangible assets of the Group as at 30 April 2017 amounting to approximately HK\$8,114,000 is extracted from the Accountants' Report of the Group set out in Appendix I to this prospectus.

- (2) The estimated net proceeds from the Share Offer are based on 250,000,000 New Shares to be issued at a minimum Offer Price of HK\$0.24 per Offer Share or a maximum Offer Price of HK\$0.36 per Offer Share, respectively, after deduction of the estimated underwriting fees and other related expenses expected to be incurred and borne by the Group subsequent to 30 April 2017. It does not take into account of any shares which may be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme or any shares which may be issued or repurchased by the Company pursuant to the Company's general mandate.
- (3) The unaudited pro forma adjusted consolidated net tangible assets of the Group per Share is arrived at on the basis of 1,000,000,000 Shares in total, comprising 2,500 shares in issue at the date of this prospectus, the Share Offer of 250,000,000 New Shares and the 749,997,500 Shares to be issued pursuant to the Capitalization Issue, all assumed had been issued on 30 April 2017. It does not take into account of any shares which may be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme or any shares which may be issued or repurchased by the Company pursuant to the Company's general mandate.
- (4) No adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 30 April 2017.

*The following is the text of a report received from our reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, prepared for the purposes of incorporation in this prospectus, in respect of the additional unaudited pro forma financial information of our Group.*

**Deloitte.**

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## **INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

### **To the Directors of Asia Pioneer Entertainment Holdings Limited**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Asia Pioneer Entertainment Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets as at 30 April 2017 and related notes as set out on pages II-1 to II-2 of Appendix II to the prospectus issued by the Company dated 31 October 2017 (the "Prospectus"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages II-1 to II-2 of Appendix II to the Prospectus.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the Share Offer (as defined in the Prospectus) on the Group's financial position as at 30 April 2017 as if the Share Offer had taken place at 30 April 2017. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial information for each of the two years ended 31 December 2016 and the four months ended 30 April 2017, on which an accountants' report set out in Appendix I to the Prospectus has been published.

### **Directors' Responsibilities for the Unaudited Pro Forma Financial Information**

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

**Our Independence and Quality Control**

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Reporting Accountants’ Responsibilities**

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the GEM Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 7.31 of the GEM Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 April 2017 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Opinion**

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 7.31(1) of the GEM Rules.

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
Hong Kong  
31 October 2017

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**APPENDIX III                      SUMMARY OF THE CONSTITUTION OF OUR COMPANY  
AND CAYMAN ISLANDS COMPANY LAW**

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Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 22 February 2017 under the Companies Law. Our Company's constitutional documents consist of its Amended and Restated Memorandum of Association (**Memorandum**) and its Amended and Restated Articles of Association (**Articles**).

**1. MEMORANDUM OF ASSOCIATION**

- (a) The Memorandum provides, *inter alia*, that the liability of members of our Company is limited and that the objects for which our Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since our Company is an exempted company, that our Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of our Company carried on outside the Cayman Islands.
- (b) By special resolution our Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

**2. ARTICLES OF ASSOCIATION**

The Articles were adopted on 25 October 2017. A summary of certain provisions of the Articles is set out below.

**(a) Shares**

*(i) Classes of shares*

The share capital of our Company consists of ordinary shares.

*(ii) Variation of rights of existing shares or classes of shares*

Subject to the Companies Law, if at any time the share capital of our Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. The provisions of the Articles relating to general meetings shall *mutatis mutandis* apply to every such separate general meeting, but so that

the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or, in the case of a shareholder being a corporation, by its duly authorized representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

*(iii) Alteration of capital*

Our Company may, by an ordinary resolution of its members: (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; (e) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; (g) change the currency of denomination of its share capital; and (h) reduce its share premium account in any manner authorised and subject to any conditions prescribed by law.

*(iv) Transfer of shares*

Subject to the Companies Law and the requirements of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of our Company in respect of that share.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register. Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which our Company has a lien. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

The Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to our Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the GEM Listing Rules, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

***(v) Power of our Company to purchase its own shares***

Our Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of our Company subject to any applicable requirement imposed from time to time by the Articles or any, code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where our Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

***(vi) Power of any subsidiary of our Company to own shares in our Company***

There are no provisions in the Articles relating to the ownership of shares in our Company by a subsidiary.

*(vii) Calls on shares and forfeiture of shares*

The Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for payment to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced our Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment, the Board may, for so long as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to our Company all monies which, at the date of forfeiture, were payable by him to our Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

**(b) Directors***(i) Appointment, retirement and removal*

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director so appointed to fill a casual vacancy shall hold office only until the first general meeting of our Company after his appointment and be subject to re-election at such meeting. Any Director so appointed as an addition to the existing Board shall hold office only until the first annual general meeting of our Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors to retire in each year shall be those who have been in office longest since their last re-election or appointment but, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected has been lodged at the head office or at the registration office of our Company. The period for lodgment of such notices shall commence no earlier than the day after despatch of the notice of the relevant meeting and end no later than seven days before the date of such meeting and the minimum length of the period during which such notices may be lodged must be at least seven days.

A Director is not required to hold any shares in our Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board.

A Director may be removed by an ordinary resolution of our Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and our Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to the “retirement by rotation” provisions. The number of Directors shall not be less than two.

The office of a Director shall be vacated if he:

- (aa) resign;
- (bb) dies;
- (cc) is declared to be of unsound mind and the Board resolves that his office be vacated;
- (dd) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (ee) he is prohibited from being or ceases to be a director by operation of law;
- (ff) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;
- (gg) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or
- (hh) is removed from office by the requisite majority of the Directors or otherwise pursuant to the Articles.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director or deputy managing director or to hold any other employment or executive office with our Company for such period and upon such terms as the Board may determine, and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

***(ii) Power to allot and issue shares and warrants***

Subject to the provisions of the Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as our Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that, upon the happening of a specified event or upon a given date and either at the option of our Company or the holder of the share, it is liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of our Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and our Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in our Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither our Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

***(iii) Power to dispose of the assets of our Company or any of its subsidiaries***

While there are no specific provisions in the Articles relating to the disposal of the assets of our Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by our Company and which are not required by the Articles or the Companies Law to be exercised or done by our Company in general meeting, but if such power or act is regulated by our Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

***(iv) Borrowing powers***

The Board may exercise all the powers of our Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of our Company and, subject to the Companies Law, to issue debentures, debenture stock, bonds and other securities of our Company, whether outright or as collateral security for any debt, liability or obligation of our Company or of any third party.

(v) *Remuneration*

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or our Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, pro rata. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in our Company may be entitled by reason of such employment or office.

Any Director who, at the request of our Company, performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of our Company or companies with which our Company is associated in business, or may make contributions out of our Company's monies to, any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with our Company or any of its subsidiaries) and former employees of our Company and their dependents or any class or classes of such persons.

The Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

*(vi) Compensation or payments for loss of office*

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by our Company in general meeting.

*(vii) Loans and provision of security for loans to Directors*

Our Company shall not directly or indirectly make a loan to a Director or a director of any holding company of our Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of our Company or any of their respective close associates, or, if any one or more of the Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

*(viii) Disclosure of interest in contracts with our Company or any of its subsidiaries*

With the exception of the office of auditor of our Company, a Director may hold any other office or place of profit with our Company in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of any other company in which our Company may be interested, and shall not be liable to account to our Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by our Company to be exercised in such manner in all respects as it thinks fit, including the exercise in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with our Company, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to our Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with our Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to our Company.

A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

- (aa) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of our Company or any of its subsidiaries;
- (bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of our Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any proposal concerning an offer of shares, debentures or other securities of or by our Company or any other company which our Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any proposal or arrangement concerning the benefit of employees of our Company or any of its subsidiaries, including the adoption, modification or operation of either: (i) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or (ii) any of a pension fund or retirement, death or disability benefits scheme which relates to Directors, their close associates and employees of our Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
- (ee) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of our Company by virtue only of his/their interest in those shares, debentures or other securities.

***(ix) Proceedings of the Board***

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

**(c) Alterations to the constitutional documents and our Company's name**

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of our Company may only be changed, with the sanction of a special resolution of our Company.

**(d) Meetings of member**

***(i) Special and ordinary resolutions***

A special resolution of our Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An "ordinary resolution", by contrast, is a resolution passed by a simple majority of the votes of such members of our Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of our Company duly convened and held, and where relevant as a special resolution so passed.

***(ii) Voting rights and right to demand a poll***

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting: (a) on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of our Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for this purpose as paid up on the share; and (b) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote. Where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) or its nominee(s), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the GEM Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorised corporate representative):

- (A) at least two members;
- (B) any member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (C) a member or members holding shares in our Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s) be a member of our Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of our Company or at any meeting of any class of members of our Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual member including the right to vote individually on a show of hands.

Where our Company has knowledge that any member is, under the GEM Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

***(iii) Annual general meetings***

Our Company must hold an annual general meeting each year other than the year of our Company's adoption of the Articles. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

*(iv) Notices of meetings and business to be conducted*

An annual general meeting of our Company shall be called by at least 21 days' notice in writing, and any other general meeting of our Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by our Company on any member personally, by post to such member's registered address or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify our Company in writing of an address in Hong Kong which shall be deemed to be his registered address for this purpose. Subject to the Companies Law and the GEM Listing Rules, a notice or document may also be served or delivered by our Company to any member by electronic means.

Although a meeting of our Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

- (i) in the case of an annual general meeting, by all members of our Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95% of the total voting rights in our Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

*(v) Quorum for meetings and separate class meetings*

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

*(vi) Proxies*

Any member of our Company entitled to attend and vote at a meeting of our Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of our Company or at a class meeting. A proxy need not be a member of our Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorised officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

**(e) Accounts and audit**

The Board shall cause proper books of account to be kept of the sums of money received and expended by our Company, and of the assets and liabilities of our Company and of all other matters required by the Companies Law (which include all sales and purchases of goods by the company) necessary to give a true and fair view of the state of our Company's affairs and to show and explain its transactions.

The books of accounts of our Company shall be kept at the head office of our Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account, book or document of our Company except as conferred by the Companies Law or ordered by a court of competent jurisdiction or authorised by the Board or our Company in general meeting.

The Board shall from time to time cause to be prepared and laid before our Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report, not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of our Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), our Company may send summarized financial statements to shareholders who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarized financial statements instead of the full financial statements. The summarized financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory, and must be sent to those shareholders that have consented and elected to receive the summarised financial statements not less than 21 days before the general meeting.

Our Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by our Company in general meeting or by the Board if authority is so delegated by the members.

The auditors shall audit the financial statements of our Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

**(f) Dividends and other methods of distribution**

Our Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

- (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;
- (ii) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and

- (iii) the Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to our Company on account of calls, instalments or otherwise.

Where the Board or our Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:

- (aa) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or
- (bb) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, our Company may by ordinary resolution in respect of any one particular dividend of our Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to our Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or our Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used by the Board for the benefit of our Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by our Company on or in respect of any share shall bear interest against our Company.

Our Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

**(g) Inspection of corporate records**

For so long as any part of the share capital of our Company is listed on the Stock Exchange, any member may inspect any register of members of our Company maintained in Hong Kong (except when the register of members is closed) without charge and require the provision to him of copies or extracts of such register in all respects as if our Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

**(h) Rights of minorities in relation to fraud or oppression**

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of our Company under Cayman Islands law, as summarized in paragraph 3(f) of this Appendix.

**(i) Procedures on liquidation**

A resolution that our Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if our Company is wound up and the assets available for distribution among the members of our Company are more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, then the excess shall be distributed *pari passu* among such members in proportion to the amount paid up on the shares held by them respectively; and
- (ii) if our Company is wound up and the assets available for distribution among the members as such are insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them, respectively.

If our Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Companies Law, divide among the members in specie or kind the whole or any part of the assets of our Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

**(j) Subscription rights reserve**

Provided that it is not prohibited by and is otherwise in compliance with the Companies Law, if warrants to subscribe for shares have been issued by our Company and our Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

**3. CAYMAN ISLANDS COMPANY LAW**

Our Company was incorporated in the Cayman Islands as an exempted company on 22 February 2017 subject to the Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

**(a) Company operations**

An exempted company such as our Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

**(b) Share capital**

Under Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”. At the option of a company, these provisions may not apply to premiums on shares of that

company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

- (i) paying distributions or dividends to members;
- (ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (iii) any manner provided in section 37 of the Companies Law;
- (iv) writing-off the preliminary expenses of the company; and
- (v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

**(c) Financial assistance to purchase shares of a company or its holding company**

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

**(d) Purchase of shares and warrants by a company and its subsidiaries**

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so

by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorise the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Companies Law. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Companies Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

**(e) Dividends and distributions**

Subject to a solvency test, as prescribed in the Companies Law, and the provisions, if any, of the company's memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

**(f) Protection of minorities and shareholders' suits**

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss v. Harbottle* and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

**(g) Disposal of assets**

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

**(h) Accounting and auditing requirements**

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it and (iii) its assets and liabilities.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

**(i) Exchange control**

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

**(j) Taxation**

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, our Company has obtained an undertaking from the Governor-in-Cabinet that:

- (i) no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to our Company or its operations; and
- (ii) no tax be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by our Company:
  - (aa) on or in respect of the shares, debentures or other obligations of our Company;  
or
  - (bb) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2011 Revision).

The undertaking for our Company is for a period of 20 years from 28 March 2017.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to our Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

**(k) Stamp duty on transfers**

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

**(l) Loans to directors**

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

**(m) Inspection of corporate records**

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

**(n) Register of members**

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands.

**(o) Register of Directors and officers**

Pursuant to the Companies Law, our Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 60 days of any change in such directors or officers, including a change of the name of such directors or officers.

**(p) Winding up**

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s). The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

#### **(q) Reconstructions**

Reconstructions and amalgamations may be approved by a majority in number representing 75% in value of the members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management, and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

#### **(r) Take-overs**

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the

terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

**(s) Indemnification**

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

**4. GENERAL**

Appleby, our Company's legal adviser on Cayman Islands law, has sent to our Company a letter of advice which summarises certain aspects of the Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the section headed "Documents delivered to the Registrar of Companies and available for inspection" in Appendix V to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

**FURTHER INFORMATION ABOUT OUR COMPANY****1. Incorporation of our Company**

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 22 February 2017. Our Company's registered office is situated at PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands. Our Company established a principal place of business in Hong Kong at 31/F, 148 Electric Road, North Point, Hong Kong and was registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on 30 March 2017. Mr. Huie has been appointed as our agent for acceptance of service of process and notices on behalf of our Company in Hong Kong.

Our Company was incorporated in the Cayman Islands and is subject to Cayman Islands law. Its constitution comprises the Memorandum and the Articles. A summary of certain relevant parts of its constitution and certain relevant aspects of Cayman Islands company law is set out in the section headed "Summary of the constitution of our Company and Cayman Islands company law" in Appendix III to this prospectus.

**2. Changes in share capital of our Company**

- (a) As at the date of its incorporation on 22 February 2017, our Company had an authorized share capital of HK\$10,000.00 divided into 1,000,000 Shares of HK\$0.01 each. On the same day, one Share was allotted, issued and credited as fully paid at par to the first subscriber, Reid Services Limited. On the same day, the first subscriber transferred the one issued Share to APE HAT at a par value of US\$1.00.
- (b) On 14 March 2017, in consideration of the transfer by Mr. Ng, Mr. Huie, Avanzare and Ms. Kong of their respective equity interests in APE BVI to our Company, 2,416 Shares and 83 Shares were allotted and issued by our Company, credited as fully paid to APE HAT and Ms. Kong, respectively.
- (c) On 25 October 2017, our authorized share capital was increased to HK\$100,000,000.00 divided into 10,000,000,000 Shares of HK\$0.01 each.

Other than pursuant to the general mandate to issue Shares referred to in the paragraph headed "Further information about our Company – 3. Resolutions in writing of all Shareholders passed on 25 October 2017" in this appendix below and pursuant to the Share Option Scheme, our Company does not have any present intention to issue any of the authorized but unissued share capital of our Company and, without the prior approval of our Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as disclosed in this prospectus, there has been no alteration in the share capital of our Company since its incorporation.

**3. Resolutions in writing of all Shareholders passed on 25 October 2017**

Written resolutions were passed by all Shareholders on 25 October 2017 pursuant to which, among other things:

- (a) our Company approved and adopted the Memorandum and the Articles with effect from the Listing Date, the terms of which are summarized in the paragraphs headed “1. Memorandum of Association” and “2. Articles of Association”, respectively, in Appendix III to this prospectus;
- (b) conditional on (aa) the Listing Division granting listing of, and permission to deal in, the Shares in issue and Shares to be issued as mentioned in this prospectus (including any Shares which may be issued pursuant to the exercise of the options granted under the Share Option Scheme); (bb) the execution and delivery of the Underwriting Agreements on or before the date as mentioned in this prospectus; and (cc) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise, in each case on or before the day falling 30 days after the date of the issue of this prospectus:
  - (i) the Share Offer was approved and our Directors were authorized to allot and issue the Offer Shares pursuant to the Share Offer to rank *pari passu* with the then existing Shares in all respects;
  - (ii) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed “Share Option Scheme” in this appendix below, were approved and adopted and our Directors were authorized, subject to the terms and conditions of the Share Option Scheme, to grant options to subscribe for Shares thereunder and to allot, issue and deal with our Shares pursuant to the exercise of subscription rights attaching to any options which may be granted under the Share Option Scheme and to take all such actions as they consider necessary or desirable to implement the Share Option Scheme;
  - (iii) the increase in authorized share capital of our Company from HK\$10,000.00 divided into 1,000,000 Shares of HK\$0.01 each, to HK\$100,000,000.00 divided into 10,000,000,000 Shares of HK\$0.01 each, each Share ranks *pari passu* in all respects with the existing Shares was approved;
  - (iv) conditional further on the share premium account of our Company being credited as a result of the Share Offer, our Directors were authorized to capitalise an amount of HK\$7,499,975.00 standing to the credit of the share premium account of our Company and to appropriate such amount as to capital to pay up in full at par 749,997,500 Shares for allotment and issue to the persons whose names appear on the register of members of our Company immediately before the completion of the Share Offer in proportion (as nearly

as possible without involving fractions) to their then existing shareholdings in our Company, each ranking *pari passu* in all respects with the then existing issued Shares, and our Directors were authorized to give effect to such capitalisation and distributions and the Capitalisation Issue was approved;

- (c) a general unconditional mandate was given to our Directors to exercise all powers of our Company to allot, issue and deal with, otherwise than by way of rights issue or an issue of Shares pursuant to the exercise of any options which may be granted under the Share Option Scheme or any other share option scheme of our Company or any Shares allotted and issued in lieu of the whole or part of any dividend on Shares or similar arrangement in accordance with the Articles or under the Share Offer or pursuant to a specific authority granted by the Shareholders in general meeting, Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such securities convertible into Shares, and to make or grant offers, agreements and options which might require the exercise of such power, with an aggregate of nominal value not exceeding 20% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Capitalisation Issue and the Share Offer but excluding any Shares which may be issued pursuant to the exercise of the options under the Share Option Scheme, such mandate to remain in effect until whichever is the earliest of:
- (i) the conclusion of the next annual general meeting of our Company;
  - (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
  - (iii) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting;
- (d) a general unconditional mandate was given to our Directors authorizing them to exercise all powers of our Company to repurchase Shares on the Stock Exchange or any other stock exchange on which the securities of our Company may be listed and recognised by the SFC and the Stock Exchange for this purpose, with an aggregate nominal value not exceeding 10% of the aggregate nominal value of the share capital of our Company in issue immediately following the completion of the Capitalisation Issue and the Share Offer but excluding any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme, such mandate to remain in effect until whichever is the earliest of:
- (i) the conclusion of the next annual general meeting of our Company;
  - (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or

- (iii) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting;
- (e) the general unconditional mandate mentioned in sub-paragraph (c) above was extended by the addition to the aggregate nominal value of the share capital of our Company which may be allotted or agreed to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company repurchased by our Company pursuant to the general mandate to repurchase Shares referred to in sub-paragraph (d) above, provided that such extended amount shall not exceed 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Capitalisation Issue and the Share Offer but excluding any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme.

#### **4. Group reorganisation**

In preparing for the Listing, the companies comprising our Group underwent the Reorganisation to rationalise the corporate structure of our Group and our Company became the holding company of our Group. Please refer to the paragraph headed “History, Reorganisation and corporate structure – Reorganisation” in this prospectus for further details.

#### **5. Changes in share capital of the subsidiaries of our Company**

The subsidiaries of our Company are listed in the Accountants’ Report of our Company, the text of which is set out in Appendix I to this prospectus.

Save as disclosed in this prospectus, there has been no change to the share capital made by our subsidiaries during the two years preceding the date of this prospectus.

#### **6. Repurchase of our Shares by our Company**

This section includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase of our Shares by our Company.

##### ***(a) Provisions of the GEM Listing Rules***

The GEM Listing Rules permit companies whose primary listing is on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, a summary of which is set out below:

##### ***(i) Shareholders’ approval***

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company listed on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

*Note:* Pursuant to the written resolution passed by all Shareholders on 25 October 2017, a general unconditional mandate (the “**Repurchase Mandate**”) was given to our Directors authorising them to exercise all powers of our Company to repurchase our Shares on the GEM or any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, of up to 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Capitalisation Issue and the Share Offer but excluding any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme and the Repurchase Mandate shall remain in effect until whichever is the earliest of the conclusion of the next annual general meeting of our Company or the expiration of the period within which the next annual general meeting of our Company is required by the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held or the time when the Repurchase Mandate is revoked or varied by an ordinary resolution of our Shareholders in a general meeting.

*(ii) Source of funds*

Any repurchase by our Company must be paid out of funds legally available for the purpose in accordance with the Articles, the applicable laws of the Cayman Islands and the GEM Listing Rules. Our Company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

Any repurchases by our Company may be made out of profits or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if authorized by the Articles and subject to the Companies Law, out of capital and, in the case of any premium payable on the repurchase, out of profits of our Company or out of our Company’s share premium account before or at the time our Shares are repurchased or, if authorized by the Articles and subject to the Companies Law, out of capital.

*(iii) Connected parties*

The GEM Listing Rules prohibit our Company from knowingly repurchasing our Shares on the Stock Exchange from a “core connected person” (as defined in the GEM Listing Rules), which includes a Director, chief executive or substantial shareholder of our Company or any of its subsidiaries or any of their respective close associate and a core connected person shall not knowingly sell Shares to our Company on the Stock Exchange.

***(b) Exercise of the Repurchase Mandate***

On the basis of 1,000,000,000 Shares in issue immediately after completion of the Capitalisation Issue and the Share Offer (assuming that the Offer Size Adjustment Option and none of the options under the Share Option Scheme is exercised), our Directors would be authorized under the Repurchase Mandate to repurchase up to 100,000,000 Shares during the period in which the Repurchase Mandate remains in force. Any Shares repurchased pursuant to the Repurchase Mandate must be fully paid up.

*(c) Reasons for repurchases*

Our Directors believe that it is in the best interest of our Company and the Shareholders for our Directors to have general authority from the Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made if our Directors believe that such repurchases will benefit our Company and the Shareholders.

*(d) Funding of repurchases*

In repurchasing our Shares, our Company may only apply funds legally available for such purpose in accordance with the Articles, the GEM Listing Rules and the applicable laws and regulations of the Cayman Islands.

Our Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

*(e) General*

None of our Directors nor to the best of their knowledge having made all reasonable enquiries, any of their close associates (as defined in the GEM Listing Rules) currently intends to sell any Shares to our Company or our subsidiaries if the Repurchase Mandate is exercised.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the GEM Listing Rules, the Articles and the applicable laws and regulations from time to time in force in the Cayman Islands.

If, as a result of a repurchase of Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code. In certain circumstances, a Shareholder or a group of Shareholders acting in concert (within the meaning under the Takeovers Code), depending on the level of increase of the Shareholders' interest, could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase.

Save as disclosed above, our Directors are not aware of any consequences which may arise under the Takeovers Code as a consequence of any repurchase of Shares if made immediately after the listing of our Shares pursuant to the Repurchase Mandate. At present, so far as is known to our Directors, no Shareholder may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code in the event that our Directors exercise the power in full to repurchase our Shares pursuant to the Repurchase Mandate.

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the GEM Listing Rules). No core connected person (as defined in the GEM Listing Rules) has notified our Company that he/she has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

## FURTHER INFORMATION ABOUT OUR BUSINESS

### 1. Summary of material contracts


The following contracts (not being contracts in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this prospectus and are or may be material:

- (a) the Deed of Non-competition;
- (b) the Deed of Indemnity; and
- (c) the Public Offer Underwriting Agreement.




### 2. Intellectual property rights of our Group

#### (a) Trademarks

As at the Latest Practicable Date, we registered the following trademarks in Hong Kong:

Trademark	Classes	Registration Number	Name of Registrant	Registration Date
	9, 35, 41	303931281	APE Macau	14 October 2016

As at the Latest Practicable Date, we registered the following trademarks in Macau:

Trademark	Class	Registration Number	Name of Registrant	Registration Date
	9	N/117032(002)	APE Macau	12 April 2017
	35	N/117034(302)	APE Macau	12 April 2017
	41	N/117033(249)	APE Macau	12 April 2017

*(b) Domain names*

As at the Latest Practicable Date, we had registered the following domain name:

Registrant	Domain Name	Registration Date	Expiry Date
APE Macau	www.apemacau.com	23 January 2006	23 January 2022

**FURTHER INFORMATION ABOUT SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND EXPERTS**

**1. Disclosure of interests**

*(a) Interests of Directors and chief executive in Shares, underlying Shares and debentures of our Company and its associated corporations*

Immediately following the completion of the Capitalisation Issue and the Share Offer but taking no account of any Shares which may be issued upon the exercise of the Offer Size Adjustment Option or any options which may be granted under the Share Option Scheme, the interests and short positions of our Directors or chief executive of our Company in our Shares, underlying Shares and debentures of our Company or any of the associated corporations (within the meaning of Part XV of the SFO) which, once our Shares are listed on the Stock Exchange, will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they are taken or deemed to have under such provisions of the SFO) or will be required, pursuant to section 352 of the SFO, to be entered in the

register referred to therein, or will be required, to be notified to our Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, will be as follows:

(i) *Long position in the Shares*

<b>Name of Director/ chief executive</b>	<b>Capacity/ Nature of interest</b>	<b>Number of Shares held immediately following the completion of the Capitalisation Issue and the Share Offer</b>	<b>Percentage of shareholding immediately following the completion of the Capitalisation Issue and the Share Offer</b>
Mr. Huie ( <i>Note</i> )	Interest in controlled corporation, interest held jointly with another person	725,100,000 Shares	72.51%
Mr. Ng ( <i>Note</i> )	Interest in controlled corporation, interest held jointly with another person	725,100,000 Shares	72.51%

*Note:*

APE HAT is beneficially owned as to 39.68% by Mr. Huie, 39.68% by Mr. Ng and 20.64% by Mr. Chan, respectively. On 10 March 2017, Mr. Huie, Mr. Ng and Mr. Chan entered into the Deed of Concert Parties to acknowledge and confirm, among other things, that they are parties acting in concert during the Track Record Period and that to continue to act in the same manner in our Group upon the Listing. By virtue of the SFO, Mr. Huie, Mr. Ng and Mr. Chan are deemed to be interested in the Shares held by APE HAT.

(ii) *Long position in the ordinary shares of associated corporation*

<b>Name</b>	<b>Name of associated corporation</b>	<b>Capacity/nature of interest</b>	<b>Number of shares (held)</b>	<b>Percentage of interest</b>
Mr. Huie	APE HAT ( <i>Note</i> )	Beneficial owner	992	39.68%
Mr. Ng	APE HAT ( <i>Note</i> )	Beneficial owner	992	39.68%

*Note:*

APE HAT is the direct Shareholder of our Company and is an associated corporation within the meaning of Part XV of the SFO.

**(b) Interests of substantial and other Shareholders in our Shares and Underlying Shares**

So far as is known to our Directors and taking no account of any Shares which may be issued upon exercise of the Offer Size Adjustment Option or any options which may be granted under the Share Option Scheme, the following persons (not being a Director or chief executive of our Company) will, immediately following the completion of the Capitalisation Issue and the Share Offer, have interests or short positions in the Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be recorded in the register of our Company required to be kept under section 336 of the SFO, or, who will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group:

<b>Name of Shareholder</b>	<b>Capacity/ Nature of interest</b>	<b>Number of Shares held/interested immediately following the completion of the Capitalisation Issue and the Share Offer (Note 1)</b>	<b>Percentage of shareholding immediately following the completion of the Capitalisation Issue and the Share Offer</b>
APE HAT (Note 2)	Beneficial owner	725,100,000 Shares	72.51%
Mr. Huie (Note 3)	Interest in controlled corporation, interest held jointly with another person	725,100,000 Shares	72.51%
Mr. Ng (Note 3)	Interest in controlled corporation, interest held jointly with another person	725,100,000 Shares	72.51%
Mr. Chan (Note 3)	Interest in controlled corporation, interest held jointly with another person	725,100,000 Shares	72.51%

*Notes:*

1. All interests stated are long positions.
2. APE HAT is the direct Shareholder of our Company.
3. APE HAT is beneficially owned as to 39.68% by Mr. Huie, 39.68% by Mr. Ng, and 20.64% by Mr. Chan, respectively. On 10 March 2017, Mr. Huie, Mr. Ng and Mr. Chan entered into the Deed of Concert Parties to acknowledge and confirm, among other things, that they are parties acting in concert during the Track Record Period and that to continue to act in the same manner in our Group upon the Listing. By virtue of the SFO, Mr. Huie, Mr. Ng and Mr. Chan are deemed to be interested in the Shares held by APE HAT.

**2. Remuneration of Directors**

- (a) The aggregate remuneration paid by our Group to our Directors in respect of the two years ended 31 December 2016 were approximately HK\$708,926 and HK\$809,115 respectively.
- (b) Each of our Directors has entered into a service contract with our Company for a term of three years commencing from the Listing Date, which may be terminated by not less than three months' notice served by either party on the other, and is subject to termination provisions therein and provisions on retirement by rotation of Directors as set out in the Memorandum and the Articles.

**3. Related party transactions**

Details of the related party transactions are set out under Note 26 to the Accountants' Report of our Company set out in Appendix I to this prospectus.

**4. Disclaimers**

Save as disclosed in this prospectus:

- (a) taking no account of any Shares which maybe be issued upon the exercise of options which may be granted under the Share Option Scheme or repurchased by our Company pursuant to the mandates as referred to in the paragraph headed "Further information about our Company" in this appendix above, and taking no account of Shares which may be taken up or acquired under the Share Offer, our Directors are not aware of any person (not being a Director or chief executive of our Company) who will immediately following the completion of the Capitalisation Issue and the Share Offer, have an interest or a short position in the Shares or underlying Shares which will fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who will, either directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group;

- (b) none of our Directors or chief executive of our Company has any interest or short position in our shares, underlying shares or debentures of our Company or any associated corporations within the meaning of Part XV of the SFO, which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to our Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, once the Shares are listed;
- (c) none of our Directors nor any of the parties listed in the paragraph headed “Other information – 6. Qualifications of experts” in this appendix below has been interested in the promotion of, or has any direct or indirect interest in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to our Company or any of the subsidiaries of our Company, or are proposed to be acquired or disposed of by or leased to our Company or any other member of our Group nor will any Director apply for the Offer Shares either in his own name or in the name of a nominee;
- (d) none of our Directors nor any of the parties listed in the paragraph headed “Other information – 6. Qualifications of experts” in this appendix below is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to business of our Group;
- (e) save in connection with the Underwriting Agreements, none of the parties listed in the paragraph headed “Other information – 6. Qualifications of experts” in this appendix below is interested legally or beneficially in any securities of any member of our Group; or has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group;
- (f) so far as is known to our Directors, none of our Directors, their respective associates (as defined under the GEM Listing Rules) or Shareholders who are interested in more than 5% of the issued share capital of our Company has any interests in the five largest customers or the five largest suppliers of our Group;
- (g) none of our Directors has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)); and
- (h) no remuneration or other benefits in kind have been paid by any member of our Group to any Director since the date of incorporation of our Company, nor are any remuneration or benefits in kind payable by any member of our Group to any Director in respect of the current financial year under any arrangement in force as at the Latest Practicable Date.

**SHARE OPTION SCHEME**

The following is a summary of principal terms of the Share Option Scheme conditionally approved by a resolution of our Shareholders passed on 25 October 2017. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules. As at the Latest Practicable Date, no option has been granted pursuant to the Share Option Scheme.

**(a) Purpose**

The purpose of the Share Option Scheme is to recognise and acknowledge the contributions of the Eligible Participants (as defined in paragraph (b) below) to our Group by granting options to them as incentives or rewards. Our Directors consider the Share Option Scheme, with its broadened basis of participation, will enable our Group to reward the employees, our Directors and other selected participants for their contributions to our Group. Given that the Board is entitled to impose any conditions, restrictions or limitations as it may think fit when making an offer (the “**Offer**”) on a case by case basis, and that the exercise price of an option cannot in any event fall below the price stipulated in the GEM Listing Rules or such higher price as may be fixed by our Directors, it is expected that grantees of an option will make an effort to contribute to the development of our Group so as to bring about an increased market price of our Shares in order to capitalise on the benefits of the options granted.

**(b) Who may join**

The Board may during the Scheme Period (as defined in paragraph (j) below) at its absolute discretion (subject to any conditions as it may think fit) offer to grant options to subscribe for such number of Shares as the Board may determine at an option price determined in accordance with paragraph (c) below to the following persons (the “**Eligible Participants**”):

- (i) any executive, employee, director (including non-executive director (if any) and independent non-executive director), consultant, adviser and/or agent of any member of the Group (or person(s) proposed to be appointed as such provided that the Offer to such proposed appointee(s) shall be conditional upon the proposed appointment taking effect); and
- (ii) any other person who has contributed to the success of the Listing, in each case, as determined by the Board.

**(c) Subscription price**

The subscription price of a Share payable on the exercise of any particular option granted under the Share Option Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price shall at least be the highest of:

- (i) the nominal value of our Shares;
- (ii) the closing price of our Shares as stated in the Stock Exchange's daily quotations sheet on the date of Offer, which must be a day on which the Stock Exchange is open for the business of dealing in securities (the "**Business Day**"); and
- (iii) the average closing prices of our Shares as stated in the Stock Exchange's daily quotations sheets for the five Business Days immediately preceding the date of Offer; or (where applicable) such price as from time to time adjusted pursuant to the Share Option Scheme.

**(d) Acceptance of Offer**

HK\$1.00 is payable by an Eligible Participant on acceptance of an Offer of option. Any Offer of option may be accepted, in whole or in part, in a board lot of dealing in Shares on the Stock Exchange or an integral multiple thereof and in writing received by any Director or the secretary of our Company until 5:00 p.m. on the date specified in the Offer provided that no such Offer shall be open for acceptance after the expiry of the Scheme Period (as defined in paragraph (j) below) or after the Share Option Scheme has been terminated in accordance with the rules thereof.

**(e) Maximum number of Shares in respect of which options may be granted**

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and under any other schemes of our Group must not in aggregate exceed 10% of the total number of Shares in issue as at the Listing Date and that none of the options granted under the Share Option Scheme are exercised (the "**Limit**"). Options which have lapsed in accordance with the terms of the Share Option Scheme (or any other schemes of our Group) will not be counted for the purpose of calculating the Limit.

Subject to the approval of our Shareholders in general meeting and/or such other requirements prescribed under the GEM Listing Rules from time to time, our Company may refresh the Limit at any time provided that:

- (i) the Limit as refreshed does not exceed 10% of our Shares in issue as at the date of the approval by the refreshed Limit;
- (ii) the options previously granted (including those outstanding, cancelled, lapsed in accordance with the provisions of the Share Option Scheme or exercised options) will not be counted for the purpose of calculating the Limit as refreshed; and

- (iii) a circular containing the information and the disclaimer, respectively, required under Rules 23.02(2)(d) and Rule 23.02(4) of the GEM Listing Rules shall be despatched to our Shareholders together with the notice of the relevant general meeting.

Our Company may also with the approval of Shareholders in general meeting grant options in respect of Shares in excess of the Limit (as refreshed from time to time) to Eligible Participants specifically identified by our Company. The circular issued by our Company to our Shareholders shall contain a generic description of the specified Eligible Participants who may be granted such options, the number and terms of the options to be granted, the purpose of granting options to the specified Eligible Participants with an explanation as to how the options serve such purpose, the information required under Rule 23.02(2)(d) and the disclaimer required under Rule 23.02(4) of the GEM Listing Rules.

Notwithstanding the foregoing, our Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company at anytime shall not exceed 30% of our Shares in issue from time to time. No Offer may be made under any schemes of our Company (including the Share Option Scheme) if this will result in the 30% limit being exceeded.

**(f) Maximum entitlement of each Eligible Participant**

The total number of Shares issued and which fall to be issued upon exercise of the options granted under the Share Option Scheme and any other schemes of our Group (including both exercised and outstanding options) to each Eligible Participant in any period of 12 consecutive months up to and including the date of grant of the options shall not exceed 1% of our Shares in issue as at the date of grant of the options.

Any further grant of options in excess of this 1% limit shall be subject to:

- (i) the issue of a circular by our Company disclosing the identity of the Eligible Participant, the number of and terms of the options to be granted (and options previously granted to such participant) and the information as required under Rule 23.02(2)(d) and the disclaimer required under Rule 23.02(4) of the GEM Listing Rules; and
- (ii) the approval of our Shareholders in general meeting and/or other requirements prescribed under the GEM Listing Rules from time to time with such Eligible Participant and his close associates (or associate if the Eligible Participant is a connected person) abstaining from voting.

The number and terms (including the exercise price) of options to be granted to such Eligible Participant must be fixed before our Shareholders' approval and the date of the Board meeting at which the Board proposes to grant the options to such Eligible Participant shall be taken as the date of grant of the options for the purpose of calculating the subscription price of our Shares.

**(g) Granting options to connected persons**

Any grant of options to a director, chief executive (as defined in the GEM Listing Rules) or substantial shareholder (as defined in the GEM Listing Rules) of our Company or any of their respective associates is required to be approved by the independent non-executive Directors (excluding any independent non-executive Director who is proposed to be an option holder).

If our Company proposes to grant options to a substantial shareholder (as defined in the GEM Listing Rules) or any independent non-executive director of our Company or their respective associates which will result in the number of Shares issued and to be issued upon exercise of options granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1% of our Shares in issue; and
- (ii) having an aggregate value in excess of HK\$5 million, based on the closing price of our Shares at the date of each grant,

such further grant of options will be subject to the issue of a circular by our Company together with the notice of the relevant general meeting and the approval of our Shareholders in general meeting at which all connected persons of our Company shall abstain from voting in favour at such general meeting except that any connected person may vote against the relevant resolution at the general meeting provided that his intention to vote against the proposed grant has been stated in our Shareholders' circular, and/or such other requirements prescribed under the GEM Listing Rules from time to time.

**(h) Restrictions on the times of grant of options**

For so long as the Shares are listed on the Stock Exchange,

- (i) no Offer shall be made after any inside information has come to the knowledge of our Company until such inside information has been published in accordance with the requirements of the GEM Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of:
  - (A) the date of the meeting of the Board (as such date is first notified to the Stock Exchange in accordance with the GEM Listing Rules) for the approval of our Company's results for any year, half-year, quarter-year or any other interim period (whether or not required under the GEM Listing Rules); and
  - (B) the deadline for publishing an announcement of our Company's results for any year, half-year or quarter-year or any other interim period (whether or not required under the GEM Listing Rules),

and ending on the date of the results announcement, no Offer may be made.

- (ii) the Directors must not make any Offer to an Eligible Participant who is a Director during the periods or times in which the Directors are prohibited from dealing in Shares under Chapter 5 of the GEM Listing Rules or any corresponding code or securities dealing restrictions adopted by our Company.

**(i) Rights are personal to option holder**

An option is personal to the option holder. No option holder shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any other person over or in relation to any options, except for the transmission of an option on the death of the option holder to his personal representative(s).

**(j) Exercise period and duration of the Share Option Scheme**

Subject to the rules of the Share Option Scheme, options may be exercised by an Eligible Participant, in whole or in part, at any time during the period commencing from the date of grant and ending on such date as the Board may determine in granting the option, but in any event not exceeding ten years from the date of grant. Subject to earlier termination by our Company in general meeting, the Share Option Scheme shall be valid and effective for a period commencing from the Listing Date (i.e. Wednesday, 15 November 2017) and expiring at 5:00 p.m. on the business day preceding the tenth anniversary of such date (“**Scheme Period**”).

**(k) Rights of exercise for option holders**

The Board may at its discretion, when making an Offer, impose any conditions, restrictions or limitations in relation thereto as it may think fit, including but not limited to the achievement of any performance target. Subject to the aforesaid, an Eligible Participant to whom any option is granted is not required to achieve any performance target before an option can be exercised.

No Director shall deal in any securities of our Company unless he fully complies with the provisions under Chapter 5 of the GEM Listing Rules.

In the event that the grantee ceases to be an Eligible Participant under the Share Option Scheme during any relevant option period by reason of ill-health, injury, disability or death or because his employing company ceases to be a member of our Group before exercising his options in full, the grantee or his personal representative, as the case may be, may exercise the options (to the extent not already exercised) within a period of six months of such ill-health, injury, disability or death or cessation, failing which such options will lapse and determine at the end of the relevant period.

In the event that a grantee ceases to be an Eligible Participant under the Share Option Scheme by reason of retirement in accordance with his contract of employment or upon expiration of his or her contract of employment or term of directorship before exercising his or her options in full, the grantee may exercise the options (to the extent not already exercised) within a period of six months after he so retires or expiration of his contract of employment or term of directorship, failing which such options will lapse and determine at the end of the relevant period.

In the event that a grantee ceases to be an Eligible Participant under the Share Option Scheme by reason of voluntary resignation other than by reason of the circumstances set out above or by termination of his employment in accordance with the termination provisions of his contract of employment by his employing company before exercising his options in full, such options and any outstanding Offer will lapse and determine on the date of the resignation or termination.

**(l) Discretion of the Board**

Notwithstanding the aforesaid in paragraph (k) above, in each case, the Board may in its absolute discretion decide that any option shall not so lapse or determine subject to such conditions or limitations as the Board may decide.

**(m) Rights on general offers**

If a general offer by way of takeover is made to all our Shareholders and the offeror shall have obtained control of our Company as a consequence, option holders shall, subject to paragraph (k) above, be entitled at any time within the period of one month after control has been obtained to exercise the option in whole or in part (to the extent not already exercised), notwithstanding any restrictions in the terms of grant of the option which would otherwise have prevented the option from being exercised during such period. Any option that has not been so exercised within the one-month period shall cease and determine.

**(n) Rights on winding-up**

In the event a notice is given by our Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall forthwith give notice thereof to all option holders and thereupon, each option holder shall be entitled to exercise all or any of his or her options (to the extent not already exercised) at any time thereafter until such resolution is duly passed or defeated or the general meeting concluded or adjourned sine die, whichever shall first occur. If such resolution is duly passed, all options shall, to the extent that they have not been exercised, lapse and determine.

**(o) Rights on compromise or arrangement between our Company and its members or creditors**

If a compromise or arrangement between our Company and its members or creditors is proposed for the purposes of or in connection with a scheme for the reconstruction of our Company or its amalgamation with any other companies pursuant to the laws of the jurisdiction in which our Company was incorporated, our Company shall give notice to all the option holders on the same date as it gives notice of the meeting to its members or creditors summoning the meeting to consider such compromise or arrangement and each option holder (or where permitted his personal representative) shall forthwith be entitled to exercise his or her option until the earlier of the date two months thereafter or the date on which the

compromise or arrangement is sanctioned by the court. But the exercise of the option as aforesaid shall be conditional upon the compromise or arrangement being sanctioned by the court and becoming effective. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine.

**(p) Ranking of Shares issued upon exercise of options**

Our Shares to be allotted and issued upon the exercise of an option will not carry voting rights until completion of the registration of the option holder (or any other person nominated by the option holder) as our Shareholder thereof in the register of members of our Company. Subject to the aforesaid, Shares allotted and issued on the exercise of options will rank pari passu in all respects with Shares in issue on the date of the exercise and shall have the same voting, dividend, transfer and other rights, including those arising on liquidation, as attached to the other fully-paid Shares in issue on the date of exercise, save that they will not rank for any dividend or other distribution declared or recommended or resolved to be paid or made by reference to a record date falling on or before the date of entry of such Shareholder in the register of members of our Company.

**(q) Effect of alterations to capital**

Upon any variation in the share capital of our Company arising from any reduction, sub-division or consolidation of share capital, any rights issue or the issue of any share capital by way of capitalisation of profits or reserves or in connection with an open offer to our Shareholders (each a “**Relevant Event**”), the number or nominal amount of Shares comprised in each option and/or the subscription price thereunder may be adjusted in any manner as our Board (having received a confirmation in writing from the auditors of our Company or an approved independent financial adviser that in their/its opinion the adjustments proposed satisfy the requirements of the note to Rule 23.03(13) of the GEM Listing Rules and/or the rules, requirements and guidelines issued by the Stock Exchange from time to time) may deem appropriate provided always that:

- (i) no increase shall be made in the aggregate subscription price relating to any option;
- (ii) any adjustments should give each option holder the same proportion of the share capital of our Company as that to which he or she was previously entitled prior to such adjustments;
- (iii) no adjustments shall be made which will enable a Share to be issued at less than its nominal value; and
- (iv) where the Relevant Event arises from an issue of Shares, references to options shall include references to options that have been exercised prior to the date of the adjustment in respect of Shares which otherwise do not rank and are not entitled to participate in the issue by reason of the option holder not having been then registered as the holder of the relevant Shares.

**(r) Lapse of options**

An option shall lapse automatically (to the extent not already exercised) on the earliest of:

- (i) the date of expiry of the option as may be determined by the Board;
- (ii) the date of lapse as provided in paragraphs (k), (m), (n) or (o) above; and
- (iii) the date on which the option holder commits a breach of paragraph (i) above.

**(s) Alteration of the Share Option Scheme**

The Share Option Scheme may be altered in any respect by resolution of the Board except that:

- (i) any alteration to the advantage of the option holders or the Eligible Participants (as the case may be) in respect of the matters contained in Rule 23.03 of the GEM Listing Rules; and
- (ii) any material alteration to the terms and conditions of the Share Option Scheme or any change to the terms of options granted, shall first be approved by our Shareholders in general meeting except where the proposed alteration takes effect automatically under the existing terms of the Share Option Scheme. Any change to the authority of the Board in relation to any alteration to the terms of the Share Option Scheme must be approved by Shareholders in general meeting.

**(t) Cancellation of options**

Any unexercised option may be cancelled if the relevant option holder so agrees. Issuance of new options to the same option holder may only be made if there are unissued options available under the Share Option Scheme (excluding the cancelled options) within the 10% Limit or the Limit as refreshed pursuant to rule 5.1(b) of the Share Option Scheme and in compliance with the terms of the Share Option Scheme in force from time to time.

**(u) Termination of the Share Option Scheme**

Our Company may by ordinary resolution in general meeting at any time terminate the Share Option Scheme and in such event no further options shall be granted but the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any options granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options granted prior to such termination but not yet exercised at the time of termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

**(v) Administration of the Share Option Scheme**

The Share Option Scheme shall be administered by the Board whose decision (save as otherwise provided therein) shall be final and binding on all parties.

**(w) Condition of the Share Option Scheme**

The Share Option Scheme is conditional upon: (i) the approval for the listing of, and permission to deal in, our Shares in issue and to be issued, and any Shares to be issued pursuant to the exercise of Options under the Share Option Scheme, being granted by the Listing Committee of the Stock Exchange; (ii) the Placing becoming unconditional and not being terminated according to the terms thereof; and (iii) the commencement of dealing of our Shares on the Stock Exchange.

**(x) Present status of the Share Option Scheme**

As at the Latest Practicable Date, no option had been granted or agreed to be granted under the Share Option Scheme. Application has been made to the Listing Committee of the Stock Exchange for listing of and permission to deal in our Shares which fall to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme.

**(y) Value of Options**

Our Directors consider it inappropriate to disclose the value of the options which may be granted under the Share Option Scheme as if they had been granted at the Latest Practicable Date. Any such valuation will have to be made on the basis of certain option pricing model or other methodology, which depends on various assumptions including, the exercise price, the exercise period, interest rate, expected volatility and other variables. As no options have been granted, certain variables are not available for calculating the value of options. Our Directors believe that any calculation of the value of options as at the Latest Practicable Date based on a number of speculative assumptions would not be meaningful and to a certain extent would be misleading to investors.

**OTHER INFORMATION****1. Indemnity**

Our Controlling Shareholders (collectively, the “**Indemnifiers**”) have, under a Deed of Indemnity as referred to in the paragraph headed “Further information about our business – 1. Summary of material contracts” in this appendix above, given joint and several indemnities to our Company (for ourselves and as trustee for and on behalf of our subsidiaries) in connection with, among other things, any taxation (including estate duty) falling on any member of our Group resulting from any income, profits, gains, transactions, events, matters or things earned, accrued, received, entered into or occurring on or before the date on which the Share Offer becomes unconditional.

The Indemnifiers will, however, not be liable under the Deed of Indemnity to the extent that, among others:

- specific provision, reserve or allowance has been made for such liability in the audited combined accounts of our Company or any member of our Group for the Track Record Period;

- the taxation liability arises or is incurred as a result of a retrospective change in law or a retrospective increase in tax rates coming into force after the date on which the Share Offer becomes unconditional; or
- the taxation liability arises in the ordinary course of business of any member of our Group after the date on which the Share Offer becomes unconditional.

Our Directors have been advised that no material liability for estate duty under the laws of the Cayman Islands is likely to fall on our Group.

## **2. Litigation**

As at the Latest Practicable Date, neither our Company nor any of our subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to our Directors to be pending or threatened against our Company or any of our subsidiaries, that would have a material adverse effect on the results of operations or financial condition of our Company.

## **3. Sole Sponsor**

The Sole Sponsor has made an application on behalf of our Company to the Listing Division for listing of and permission to deal in our Shares in issue and to be issued as mentioned herein and any Shares which may be granted under the Share Option Scheme. The Sponsor has confirmed to the Stock Exchange that it satisfies the independence test as stipulated under Rule 6A.07 of the GEM Listing Rules.

The Sponsor's fee in relation to the Listing is HK\$4.3 million.

## **4. Preliminary expenses**

The preliminary expenses of our Company are estimated to be HK\$374,400 and are payable by our Company.

## **5. Promoters**

Our Company has no promoter for the purposes of the GEM Listing Rules.

**6. Qualifications of experts**

The qualifications of the experts who have given opinions and/or whose names are included in this prospectus are as follows:

<b>Name</b>	<b>Qualification</b>
Southwest Securities (HK) Capital Limited	a corporation licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Deloitte Touche Tohmatsu	Certified Public Accountants
Appleby	Legal advisers as to Cayman Islands laws
Jorge Neto Valente – Lawyers & Notaries	Legal advisers as to Macau laws
Nixon Peabody LLP	Legal advisers as to international sanctions laws relating to Serbia
China Insights Consultancy Limited	Industry Consultant
Baker Tilly Hong Kong Risk Assurance Limited	Internal Control Consultant

**7. Consents of experts**

Each of the experts as referred to in the paragraph headed “Other information – 6. Qualifications of experts” in this appendix above has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its reports and/or letters or opinions and/or valuation certificates and/or references to its names or summaries of opinions included herein in the form and context in which they respectively appear.

None of such experts has any equity interest in our Company or any of its subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of its subsidiaries.

**8. Binding Effect**

This prospectus shall have the effect, if an application is made in pursuance of it, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

**9. Registration procedures**

The principal register of members of our Company in the Cayman Islands will be maintained by Estera Trust (Cayman) Limited and a branch register of members of our Company will be maintained by Boardroom Share Registrars (HK) Limited. Save where our Directors otherwise agree, all transfers and other documents of title to Shares must be lodged for registration with, and registered by, our Company's branch share registrar in Hong Kong and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable our Shares to be admitted into CCASS.

**10. No material adverse change**

Our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Company or its subsidiaries since 30 April 2017 (being the date to which the latest audited financial statements of our Group were made up) and up to the Latest Practicable Date.

**11. Taxation of holders of Shares****(a) Hong Kong**

Dealings in Shares registered on our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty.

Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

**(b) The Cayman Islands**

No stamp duty is payable in the Cayman Islands on transfer of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

**(c) Consultation with professional advisers**

Intending holders of Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in Shares or exercising any rights attaching to them. It is emphasised that none of our Company, our Directors or the other parties involved in the Share Offer can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares or exercising any rights attaching to them.

**12. Miscellaneous***(a) Save as disclosed herein:*

- (i) within two years immediately preceding the date of this prospectus:
  - (aa) no share or loan capital of our Company or of any of our subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;
  - (bb) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries and no commission has been paid or is payable in connection with the issue or sale of any capital of our Company or any of our subsidiaries; and
  - (cc) no commission has been paid or payable (except to sub-underwriter) for subscribing or agreeing to subscribe, procuring or agreeing to procure subscriptions, for any Shares or shares of any of our subsidiaries;
- (ii) no founder, management or deferred shares or any debentures of our Company have been issued or agreed to be issued;
- (iii) no share or loan capital of our Company is under option or is agreed conditionally or unconditionally to be put under option;
- (iv) there has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the 12 months immediately preceding the date of this prospectus;
- (v) our Company and its subsidiaries do not have any debt securities issued or outstanding, or authorized or otherwise created but unissued, or any term loans whether guaranteed or secured as at the Latest Practicable Date;
- (vi) our Directors have been advised that, under Cayman Islands laws, the use of a Chinese name pre-approved by the Registrar of Companies in the Cayman Islands by our Company in conjunction with the English name does not contravene Cayman Islands laws;
- (vii) no company within our Group is presently listed on any stock exchange or traded on any trading system;
- (viii) our Group has no outstanding convertible debt securities;
- (ix) the English text of this prospectus shall prevail over the Chinese text; and

- (x) save as disclosed in the paragraph headed “Underwriting – Underwriting arrangements and expenses – Total commission and expenses” in this prospectus, and in the paragraph headed “Other information – 3. Sole Sponsor” in this appendix above, none of our Directors or the experts named in the paragraph headed “Other information – 7. Consents of experts” in this appendix above had received any agency fee or commissions from our Group within the two years preceding the date of this prospectus.

### **13. Bilingual prospectus**

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided in section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

**DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG**

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were (a) copies of the **WHITE** and **YELLOW** Application Forms; (b) written consents referred to in the paragraph headed “Other information – 7. Consents of experts” in Appendix IV to this prospectus; and (c) copies of the material contracts referred to in the paragraph headed “Further information about our business – 1. Summary of material contracts” in Appendix IV to this prospectus.

**DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the office of Nixon Peabody CWL in Association with JunZeJun Law Offices at 5th Floor, Standard Chartered Bank Building, 4-4A Des Voeux Road Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (1) the Memorandum;
- (2) the Articles;
- (3) the accountants’ report prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this prospectus;
- (4) the assurance report from Deloitte Touche Tohmatsu on the compilation of the unaudited pro forma financial information, the text of which is set out in Appendix II to this prospectus;
- (5) the audited financial statements of the companies comprising our Group issued for the Track Record Period;
- (6) the legal opinion issued by JNV, our legal advisers in respect of Macau laws;
- (7) the legal opinion issued by Nixon Peabody LLP, our legal advisers in respect of International Sanctions laws relating to Serbia;
- (8) the industry report issued by CIC, our industry consultant;
- (9) the internal control report issued by Baker Tilly, our internal control adviser;
- (10) the letter of advice prepared by Appleby summarising certain aspects of Cayman Islands company law as referred to in Appendix III to this prospectus;
- (11) the Companies Law;
- (12) the material contracts referred to in the paragraph headed “Further information about our business – 1. Summary of material contracts” in Appendix IV to this prospectus;

- (13) the service contracts referred to in the paragraph headed “Further information about Substantial Shareholders, Directors and experts” in Appendix IV to this prospectus;
- (14) the rules of the Share Option Scheme referred to in the paragraph headed “Share Option Scheme” in Appendix IV to this prospectus; and
- (15) the written consents referred to in the paragraph headed “Other information – 7. Consents of experts” in Appendix IV to this prospectus.



Asia Pioneer Entertainment Holdings Limited  
亞洲先鋒娛樂控股有限公司