



Asia Pioneer Entertainment Holdings Limited

亞洲先鋒娛樂控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8400



TOTAL SOLUTIONS PROVIDER FOR ELECTRONIC GAMING EQUIPMENT IN MACAU AND ASIA

CHINA  
WORLD

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SHENZHEN CONNECT



Welcome the Listing of  
Asia Pioneer Entertainment Holdings Limited  
亞洲先鋒娛樂控股有限公司  
(Stock Code: 8400)

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Asia Pioneer Enterta  
亞洲先鋒娛樂  
(Stock Code



ANNUAL REPORT 2017

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

Asia Pioneer Entertainment Holdings Limited | Annual Report 2017

## CONTENTS

Corporate Information	2
Chairman's Statement	3
Management Discussion and Analysis	4
Biographical Details of the Directors and Senior Management	8
Corporate Governance Report	13
Directors' Report	25
Independent Auditor's Report	35
Consolidated Statement of Profit or Loss and Other Comprehensive Income	40
Consolidated Statement of Financial Position	41
Consolidated Statement of Changes in Equity	42
Consolidated Statement of Cash Flows	43
Notes to the Consolidated Financial Statements	44

## CORPORATE INFORMATION

### Registered office

PO Box 1350  
Clifton House  
75 Fort Street  
Grand Cayman KY1-1108  
Cayman Islands

### Principal place of business in Hong Kong

31/F., 148 Electric Road  
North Point  
Hong Kong

### Headquarters and principal place of business in Macau

Avenida da Amizade  
No. 1023 Edifício Nam Fong  
1-(AA) Macau

### Executive Directors

Mr. Huie, Allen Tat Yan  
Mr. Ng Man Ho Herman

### Independent non-executive Directors

Mr. Choi Kwok Wai  
Mr. Ma Chi Seng  
Mr. Ho Kevin King Lun

### Compliance officer

Mr. Huie, Allen Tat Yan

### Authorised representatives

Mr. Huie, Allen Tat Yan  
Mr. Kwok Siu Man

### Company secretary

Mr. Kwok Siu Man

### Audit committee

Mr. Choi Kwok Wai (*Chairman*)  
Mr. Ma Chi Seng  
Mr. Ho Kevin King Lun

### Remuneration Committee

Mr. Ho Kevin King Lun (*Chairman*)  
Mr. Huie, Allen Tat Yan  
Mr. Ma Chi Seng

### Nomination Committee

Mr. Huie, Allen Tat Yan (*Chairman*)  
Mr. Ma Chi Seng  
Mr. Ho Kevin King Lun

### Risk Management Committee

Mr. Huie, Allen Tat Yan (*Chairman*)  
Mr. Ng Man Ho Herman

### Compliance adviser

Southwest Securities (HK) Capital Limited

### Legal adviser as to Macau Law

Jorge Neto Valente — Lawyers & Notaries  
15/F., ICBC Tower  
Macau Landmark Building  
555 Avenida da Amizade  
Macau

### Auditor

Deloitte Touche Tohmatsu  
Certified Public Accountants

### Principal share registrar and transfer office

Estera Trust (Cayman) Limited  
PO Box 1350  
Clifton House  
75 Fort Street  
Grand Cayman KY1-1108  
Cayman Islands

### Hong Kong branch share registrar and transfer office

Boardroom Share Registrars (HK) Limited  
Room 2103B, 21/F, 148 Electric Road  
North Point  
Hong Kong

### Principal Bankers

The Bank of East Asia Limited  
China Citic Bank International Limited  
Banco Nacional Ultramarino

### Company Website

[www.apemacau.com](http://www.apemacau.com)

### GEM Stock Code

8400

## CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "**Board**") of directors of the Company, together with its subsidiaries (the "**Group**"), I am delighted to present the first annual report of the Group for the year ended 31 December 2017 (the "**Year**" or "**FY2017**") since the listing (the "**Listing**") of the issued shares of the Company (the "**Shares**") on GEM of the Stock Exchange on 15 November 2017 (the "**Listing Date**").

### APPRECIATION

On behalf of the Board, I wish to take this opportunity to express my gratitude to our Shareholders (the "**Shareholders**"), customers, suppliers and business partners who trust and maintain faithful in the Group. I would also like to extend our sincere thanks to our management and staff for their diligence, dedication and contribution throughout the years.

### OVERVIEW

For the Year, the Group achieved an increase in revenue of approximately 63.7% to approximately HK\$86.1 million from approximately HK\$52.6 million for the year ended 31 December 2016 (the "**Previous Year**" or "**FY2016**"). The growth was mainly driven by the increase in revenue from the sale and distribution of electronic gaming equipment ("**EGE**") in Macau. In line with the increase in revenue, the Group's gross profit increased by 49.9% to approximately HK\$34.8 million in the Year from approximately HK\$23.2 million in FY2016. The combined FY2016 and FY2017 net profit after taxation excluding non-recurring Listing expenses was approximately HK\$32.6 million. The Board has adopted and approved a share option scheme with details disclosed in the paragraph headed "Share Option Scheme" in Appendix IV to the Company's prospectus dated 31 October 2017 (the "Prospectus"). However, the Board has not exercised or enacted this share option scheme yet in FY2017.

The Group listed its issued Shares on the GEM of the Stock Exchange on 15 November 2017 at an initial listing price of HK 28 cents per share. The Listing represents a milestone to the Group's development and reflects the solid foundation of our businesses. Due to the Listing expenses arisen from the Listing, the Group's profit attributable to the Shareholders decreased to apparently HK\$4.5 million for the Year from approximately HK\$9.6 million for FY2016. Excluding such non-recurring Listing expenses, the Group's profit after tax would have been approximately HK\$18.7 million and HK\$13.9 million respectively for the year ended 31 December 2017 and 2016.

### FORWARD

Looking forward, the Group is positive about the prospects of the electronic gaming equipment market in Macau as well as other regions in Asia. The Group intends to implement our business plans and the use of proceeds from the Listing in accordance with the purposes set out in the Prospectus, and deploy our utmost for our Shareholders, customers and business partners.

**Huie, Allen Tat Yan**

*Chairman and Executive Director*

Hong Kong, 20 March 2018

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

The Group is a total solutions provider of EGE for land based casinos in Macau Special Administrative Region (“**Macau SAR**”) as well as other regions in Asia. EGE principally includes electronic table games (“**ETGs**”) and electronic gaming machines (“**EGMs**” or “**Slot Machines**”). The Group’s business can be segmented into: (i) technical sales and distribution of EGEs to land based casinos; (ii) the repair and sale of EGEs plus spare parts; (iii) consultancy to suppliers or manufacturers of EGE products to the casino gaming supplier market; and (iv) sales of refurbished EGMs.

The Group’s business is conducted through its wholly-owned subsidiaries, namely Asia Pioneer Entertainment Limited (“**APE Macau**”). APE Macau is the operating company of the Group which operates the core businesses in Macau SAR. For FY2017, APE Macau represented all of the revenue of the Group.

### INDUSTRY REVIEW

The overall Macau SAR gaming market has rebounded in 2017 seeing its first growth in Gross Gaming Revenue (“**GGR**”) in 3 years. GGR jumped by 19.1% to MOP264.7 billion (USD33.0 billion) in 2017<sup>1</sup> on a year-on-year basis. Mass-market gaming, including play from Slot Machines and ETG, was MOP31.7 billion in the last quarter of 2017, a rise of 17.1% from MOP27.1 billion year-on-year from the fourth quarter of 2016. The overall gaming equipment markets in Macau SAR expanded in 2017 due primarily to the openings of two major casinos, namely the Wynn Palace in Cotai strip and Legend Palace in Fisherman’s wharf.

### PROSPECTS

Looking ahead, the management believes that the Group’s prospect will continue to ride on the rebound of Macau SAR’s GGR as well as the growth of the mass-market gaming. In 2018, there will be the opening of two new major casinos, namely MGM Cotai as well as Grand Lisboa Palace Cotai, creating a favourable backdrop for the Group’s sale and distribution business in Macau SAR.

For the year ahead, the Group will continue to implement its business plan and use of proceeds as outlined in the Prospectus. We have already concluded the sale of our first batch of refurbished EGMs, a batch of 319 used slots which we purchased and refurbished in Macau SAR and resold. The management is also actively pursuing leasing agreements with Macau SAR operators, and will continue to pursue distribution opportunities in Asia outside of Macau SAR.

In our consulting services business, the Group has signed an agreement with a company to be their official repair centre for Asia Pacific region. This Company is a major supplier of ticket printers in the gaming sector.

In the second quarter of 2018, the Group is expected to relocate to a new 18,000 sq.ft. premise which is an integrated office with workshop and warehouse. We believe that the expanded facility will allow us to capture a greater market share and enhance our reputation as a total solutions provider of EGEs in Macau SAR.

1 Source <http://www.ggrasia.com/macau-casino-ggr-posts-19pct-growth-in-full-2017-govt/>

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL RESULTS

Key Financial Data	For the	For the	For the
	year ended	year ended	year ended
	31 December 2017	31 December 2016	31 December 2015
	HK\$	HK\$	HK\$
Results of operation			
Revenue	86,063,958	52,576,234	48,174,780
Gross profit	34,830,381	23,228,347	19,539,994
Profit before tax	7,122,981	11,458,702	14,453,280
Profit and total comprehensive income for the year	4,492,286	9,562,281	12,758,698
Financial position			
Total assets	92,578,013	27,985,396	31,174,498
Total liabilities	22,110,896	14,055,748	14,311,985
Total equity	70,467,117	13,929,648	16,862,513

#### Revenue

For FY2017, the Group's revenue increased by 63.7% to approximately HK\$86.1 million from approximately HK\$52.6 million in FY2016. Gross profit increased by 49.9% to approximately HK\$34.8 million in FY2017 from approximately HK\$23.2 million in FY2016.

The improvement in revenue and gross profit performance were principally attributed to the opening of new casino in Macau SAR in 2017, which created a strong demand for our products and led to an increase in revenue of the technical sales and distribution segment of 74.0% year-on-year in FY2017.

#### Operating Expenses

The Group's operating expenses increased by 67.9% to approximately HK\$14.0 million in FY2017 from approximately HK\$8.3 million in FY2016. This increase was principally attributable to an increase of the headcount in our Macau SAR office and the signing of a lease agreement for new office and integrated workshop in the fourth quarter of 2017.

#### Net Profit

Net profit before tax fell by 37.8% to approximately HK\$7.1 million in FY2017 from approximately HK\$11.5 million in FY2016 mainly due to the incurrence of Listing expenses of approximately HK\$14.2 million.

Excluding Listing expenses, the Group's profit after tax increased by 34.5% from approximately HK\$13.9 million in FY2016 to approximately HK\$18.7 million in FY2017. For FY2017, the net profit attributable to the Shareholders was approximately HK\$4.5 million after taking into account Listing expenses and income tax expense (FY2016: approximately HK\$9.6 million).

## MANAGEMENT DISCUSSION AND ANALYSIS

### COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

Business Objectives up to 31 December 2017	Actual Business Progress
— Commencement of refurbishment business	— Completed first refurbishment sale business of 319 used EGMs. — Hired repair team to work on refurbishment sales. — Trained sales team to look for used machine opportunities.
— Commencement of leasing business	— Trained sales team to explore leasing opportunities.
— Expansion into South East Asia	— Hired senior sales persons to focus on South East Asia.
— Office relocation and facility enhancement	— Signed a long term lease agreement for integrated office with workshop and warehouse totalling 18,000 sq.ft.

### LIQUIDITY, FINANCIAL RESOURCES, GEARING RATIO AND CAPITAL STRUCTURE

During FY2017, the Group financed its operations by its internal resources. As at 31 December 2017, the Group had net current assets of approximately HK\$68.1 million versus approximately HK\$13.2 million as at 31 December 2016. The increase in net assets can be mainly attributed to public offer and placing in November 2017, which raised net cash of approximately HK\$40 million.

As at 31 December 2017, the Group had no bank borrowings, bank overdrafts, bank loans and nor other banking facility. Gearing ratio (which is calculated by dividing total debt by total equity) was not applicable to the Group as at 31 December 2017. The issued Shares were listed on GEM of the Stock Exchange on 15 November 2017 by way of a placing and public offer totalling 250,000,000 new shares at HK\$ 0.28 each. There has been no change in the capital structure of the Company since the Listing Date.

The capital structure refers to the maturity profile of debt and obligation, type of capital instrument used, currency and interest rate structure.

### FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in the sections headed “statement of business objectives and use of proceeds” and “Use of Proceeds”, respectively in the Prospectus, the Group did not have any other plans for material investment or the capital assets as at 31 December 2017.

### SIGNIFICANT INVESTMENTS OR MATERIAL ACQUISITIONS AND DISPOSALS

The Group did not make any significant investment or material acquisition and disposal during FY2017.

### CONTINGENT LIABILITIES

As at 31 December 2016 and 2017, the Group did not have any material contingent liabilities.

## MANAGEMENT DISCUSSION AND ANALYSIS

### EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2017, the Group had a total of 36 employees (31 December 2016: 29). For FY2017, the Group incurred staff costs, including Directors' remuneration of approximately HK\$9.7 million (2016: approximately HK\$6.3 million).

The Company has adopted a share option scheme on 25 October 2017 for the purpose of recognising and acknowledging the contribution of employees.

### CAPITAL COMMITMENTS

During the fourth quarter of 2017, the Group signed a lease agreement for new premise in Macau SAR with 18,000 sq.ft. for integrated office with workshop and warehouse. As at 31 December 2017, capital commitment was approximately HK\$4.1 million in renovation and furnishings with a monthly rental of approximately HK\$90,000.

### CHARGES ON GROUP ASSETS

As at 31 December 2017, the Group had no charges on the Group's assets (31 December 2016: nil).

### TREASURY POLICIES

The Directors will continue to follow a prudent policy in managing the Group's cash balances and maintain a strong and healthy liquidity to ensure that the Group is well-placed to take advantage of future growth opportunities. As at 31 December 2017, all cash on hand was held with licensed financial institutions.

### CUSTOMER AND SUPPLIER RELATIONSHIP

The Group's major customers are mostly Macau casino operators listed on the Stock Exchange. The Group is committed to build long term and stable business relationships with existing customers through our sales and marketing department and technical service team.

The Group maintains good relationships with its suppliers. The Group has long term relationships with a selected number of suppliers who distribute on an exclusive territorial or a non-exclusive basis.

### FOREIGN CURRENCY EXPOSURE

The Group bills its customers mainly in US\$, HK\$ and MOP. The main exposure to foreign currency fluctuations is through ordering from a major European supplier with invoices denominated in European dollars ("**Euro**"). For FY2017, the Group was able to reduce the net foreign exchange loss to HK\$55,234 from a loss of HK\$379,926 in FY2016. This was attributable to management's vigilance on the exchange rate fluctuation of USD against Euro by reducing the period of payables in Euro liabilities.

### DIVIDENDS

During the Year, interim dividend of an aggregate amount of HK\$6,500,000 (2016: HK\$12,495,146) have been declared and paid by Asia Pioneer Entertainment, Ltd., a company incorporated in the British Virgin Islands (the "**BVI**") ("**APE BVI**") to its shareholders. No dividend has been proposed since the end of the reporting period.

## BIOGRAPHICAL DETAILS OF THE 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 ("Mr. Huie") (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 ("Mr. Ng") (吳民豪)	46	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 ("Mr. Choi") (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 ("Mr. Ma") (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 ("Mr. Ho") (何敬麟)	42	independent non-executive Director	supervising and providing independent judgment to our Board	25 October 2017	25 October 2017

## BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

### 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)	35	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	39	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 (the "INEDs"). 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.

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 is also a shareholder of China Clean of Renewable Energy Limited, an engineering plastics company and is a shareholder of LVA Ventures Ltd, a venture capital firm in Hong Kong. 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 Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("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 Valuengine Asset Management Limited), a licensed asset management company in Hong Kong under the SFO.

## BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

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, United States of America (“USA”) in 1980. He later obtained a Juris Doctor degree from the University of Pennsylvania Law School, USA in 1983.

**Mr. Ng Man Ho Herman (吳民豪)**, aged 46, is the chief executive officer (“CEO”) 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 USA in 1994 and 1995 respectively.

### Independent non-executive Directors

**Mr. Choi Kwok Wai (蔡國偉)**, aged 57, is an INED. 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., 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 resigned in 2018. He has served as its council member from 2009 to 2018.

**Mr. Ma Chi Seng (馬志成)**, aged 39, is an INED. 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. Ho Kevin King Lun (何敬麟)**, aged 42, is an INED. 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, responsible for monitoring the bank’s compliance with applicable laws and regulations, reviewing financial reports and business operations of the bank and ensuring that the shareholders of the bank are treated fairly.

## BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

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.

### 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 35, is the assistant general manager (sales and marketing) 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 strategy 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.

**Mr. Ip Wai Wai (葉偉偉)**, aged 32, is the assistant general manager (technical) 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 the clients of our Group. Prior to joining our Group, Mr. Ip began his career as a slot technician at Elixir International Limited, an information communication technology and extra low voltage solution provider in Macau, 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 the technical support regarding gaming machines.

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

**Mr. Yuki Kaizu**, aged 39, is the consultancy and supplier development director and joined our Group since 5 November 2009. Mr. Kaizu is responsible for the 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 the sales and new account development of casino-related products to overseas markets.

Mr. Kaizu graduated from Centennial High School located at Ohio, USA in 1997.

### 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 (the "C. G. 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.

## BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

### 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 CG code. 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.

The remuneration committee comprises Mr. Ho Kevin King Lun, Mr. Huie and Mr. Ma Chi Seng. 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 CG Code. 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 2017, the aggregate amount of salaries and other allowances and benefits in kind paid by us to our Directors was approximately HK\$809,115 and HK\$1,650,020, 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 2017 was approximately HK\$1,701,176, and HK\$2,987,088 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 2017. Further, none of our Directors had waived any remuneration during the same period.

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 INEDs.

## CORPORATE GOVERNANCE REPORT

The Company is committed to fulfilling its responsibilities to its Shareholders and protecting and enhancing Shareholders' value through good corporate governance.

The Directors recognise the importance of incorporating elements of good corporate governance in the management structures, internal control and risk management procedures of the Group so as to achieve effective accountability.

### CORPORATE GOVERNANCE PRACTICES

As the Company's issued ordinary Shares were initially listed on GEM of the Stock Exchange on 15 November 2017, the CG Code was not applicable to the Company for the period from 1 January 2017 to 14 November 2017, being the date immediately before the Listing Date. The Company has adopted and has complied with all applicable code provisions as set out in the CG Code during the period from the Listing Date to 31 December 2017 and thereafter up to the date of this annual report (the "Period").

### SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding Directors' securities transactions (the "Own Code of Conduct") on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the "Required Standard of Dealings"). The Company periodically issues notices to its Directors reminding them of the general prohibition on dealing in the Company's listed securities during the black-out periods before the publication of the announcements of the financial results. In response to a specific enquiry made by the Company on each of the Directors, all Directors have confirmed that they had complied with the Required Standards of Dealings and required standards set out in the Own Code of Conduct during the Period. The Company was not aware of any non-compliance during the Period.

### BOARD OF DIRECTORS

#### Responsibilities

The Board is primarily responsible for overseeing and supervising the management of the business affairs and the overall performance of the Group. The Board sets the Group's values and standards and ensures that the requisite financial and human resources support is in place for the Group to achieve its objectives. The functions performed by the Board include but are not limited to formulating the Group's business and investment plans and strategies, deciding all significant financial (including major capital expenditure) and operational issues, developing, monitoring and reviewing the Group's corporate governance practices and all other functions reserved to the Board under the Company's articles of association (the "Articles of Association"). The Board has established Board committees and has delegated to these Board committees various responsibilities as set out in their respective terms of reference. The Board may from time to time delegate certain functions to management of the Group if and when considered appropriate. The management is mainly responsible for the execution of the business plans, strategies and policies adopted by the Board and other duties assigned to it from time to time.

The Directors have full access to information of the Group and are entitled to seek independent professional advice in appropriate circumstances at the Company's expense.

## CORPORATE GOVERNANCE REPORT

### Composition

The Company is committed to holding the view that the Board should include a balanced composition of executive Directors and non-executive Directors (including INEDs so that there is a strong independent element on the Board, which can effectively exercise independent judgment.

As at the date of this annual report, the Board comprises the following five Directors, of which the INEDs in aggregate represent 60% of the Board members:

### Executive Directors

Mr. Huie (*Chairman*)

Mr. Ng (*Chief Executive Officer*)

### INEDs

Mr. Choi

Mr. Ma

Mr. Ho

The biographical details of each of the Directors are set out in the section headed “Biographical Details of the Directors and Senior Management” of this annual report.

There was no financial, business, family or other material relationship among the Directors during the Period and up to the date of this annual report.

The INEDs have brought in a wide range of business and financial expertise, experience and independent judgement to the Board. Through active participation in the Board meetings and serving on various Board committees, all INEDs will continue to make various contributions to the Company.

Throughout the Period, the Company had three INEDs, meeting the requirements of the GEM Listing Rules that the number of INEDs must represent at least one-third of the Board members, and that at least one of the INEDs has appropriate professional qualifications or accounting or related financial management expertise.

The Company has received a confirmation of independence in writing from each of the INEDs pursuant to Rule 5.09 of the GEM Listing Rules. Based on such confirmation, the Company considers that all the INEDs are independent and have met the independence guidelines as set out in Rule 5.09 of the GEM Listing Rules from the Listing Date to the date of this annual report.

From the Company’s financial year commencing on 1 January 2018 (“**Year 2018**”), the chairman of the Board (the “**Chairman**”), being an executive Director will at least annually hold one meeting with the INEDs without the presence of another executive Director.

Proper insurance coverage in respect of legal actions against the Directors’ liabilities has been arranged by the Company.

## CORPORATE GOVERNANCE REPORT

### Directors' Induction and Continuing Professional Development

Each of the Directors has received a formal, comprehensive and tailored induction on the first occasion of his appointment to ensure that he has a proper understanding of the Company's operations and business and is fully aware of the Director's responsibilities under statute and common law, the GEM Listing Rules, other legal and regulatory requirements and the Company's business and governance policies. During the Year, each of the Directors named under the paragraph headed "Composition" above attended a training seminar arranged by a solicitors' firm on directors' responsibilities and the GEM Listing Rules.

The Company will from time to time provide briefings to all Directors to develop and refresh their duties and responsibilities. All Directors are also encouraged to attend relevant training courses at the Company's expense and they have been requested to provide the Company with their training records. According to the training records maintained by the Company, the continuing professional development programmes received by each of the Directors during the Year is summarised as follows:

Name of Directors	Type of trainings
Mr. Huie	A and B
Mr. Ng	A and B
Mr. Choi	A and B
Mr. Ma	A and B
Mr. Ho	A and B

A: attending seminars/conferences/forums

B: reading newspapers, journals and updates relating to the economy, general business, corporate governance and directors' duties and responsibilities

### Meetings of the Board and Directors' Attendance Records

From Year 2018 onwards, the Board is scheduled to meet four times a year at approximately quarterly intervals with notice given to the Directors at least 14 days in advance. For all other Board meetings, notice will be given in a reasonable time in advance. The Directors are allowed to include any matter in the agenda that is required for discussion and resolution at the meeting. To enable the Directors to be properly briefed on issues arising at each of the Board meetings and to make informed decisions, an agenda and the accompanying Board papers will be sent to all Directors at least three days before the intended date of the Board meeting, or such other period as agreed. The company secretary of the Company (the "**Company Secretary**") is responsible for keeping all Board meetings' minutes. Draft and final versions of the minutes will be circulated to the Directors for comments and record respectively within a reasonable time after each meeting and the final version is open for the Directors' inspection.

The Board held a meeting on 20 March 2018 and, amongst other matters, considered and approved the audited consolidated financial statements of the Group for the Year.

All Directors attended the above Board meeting.

During the Period, the Company did not hold any general meeting of the Shareholders.

## CORPORATE GOVERNANCE REPORT

### Board Diversity Policy

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

The Company recognises and embraces the benefits of a diversity of Board members. It endeavours to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. All Board appointments will continue to be made on a merit basis with due regard for the benefits of diversity of the Board members. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills and knowledge.

### CHAIRMAN AND CHIEF EXECUTIVE

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. During the Period, Mr. Huie acted as the Chairman and Mr. Ng acted as the CEO. The roles of the Chairman and the CEO have been separated and assumed by different individuals to ensure a balance of power and authority so that power is not concentrated in any member of the Board. The respective roles and responsibilities of the Chairman and the CEO are set out in writing.

### BOARD COMMITTEES

The Board has established four Board committees, namely the Audit Committee, the Nomination Committee, the Remuneration Committee and the Risk Management Committee to oversee particular aspects of the Company's affairs. The Board committees are provided with sufficient resources to discharge their duties.

### Audit Committee

The Audit Committee was established with effect from the Listing Date with written terms of reference in compliance with the CG Code. The written terms of reference of the Audit Committee are published on the respective websites of the Stock Exchange and the Company. The Audit Committee comprises all the INEDs, namely Mr. Choi, Mr. Ma and Mr. Ho. Mr. Choi is the chairman of the Audit Committee.

The principal roles and functions of the Audit Committee include but are not limited to:

- making recommendations to the Board on the appointment, re-appointment and removal of the external auditor, and approving its remuneration and terms of engagement, and handling any questions regarding its resignation or dismissal;
- reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards and discussing with the external auditor on the nature and scope of the audit and reporting obligations before the audit commences;
- developing and implementing a policy on engaging external auditor to supply non-audit services and reporting to the Board, identifying and making recommendations on any matters where action or improvement is needed;
- monitoring the integrity of the Company's financial statements and annual reports and financial statements, half-year reports and quarterly reports, and reviewing significant financial reporting judgments contained in them;
- reviewing the Company's financial controls, and risk management and internal control systems;

## CORPORATE GOVERNANCE REPORT

- discussing the risk management and internal control systems with management to ensure that management has performed its duty to have such effective systems;
- considering major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings;
- where an internal audit function exists, ensuring co-ordination between the internal and external auditors and ensuring that the internal audit function is adequately resourced and has appropriate standing within the Company, and reviewing and monitoring its effectiveness;
- reviewing the Group's financial and accounting policies and practices;
- reviewing the external auditor's management letter, any material queries raised by the external auditor to management about the accounting records, financial accounts or systems of control and management's response;
- ensuring that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- reviewing the arrangements that the employees of the Group can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters; and
- considering other topics as defined by the Board.

The Audit Committee held a meeting on 20 March 2018 and, amongst other matters, considered and approved (i) for presentation to the Board for consideration and approval of the draft audited consolidated financial statements of the Group for the Year (the "**Consolidated Financial Statements**") and (ii) audit-related matters. An audit planning report meeting was held by the Audit Committee with the Company's independent auditor, Deloitte Touche Tohmatsu ("**Deloitte**") on 2 February 2018.

Each of the INEDs attended the above meetings in the capacity of the chairman or a member of the Audit Committee.

### Nomination Committee

The Nomination Committee was established with effect from the Listing Date with written terms of reference in compliance with the CG Code. The written terms of reference of the Nomination Committee are published on the respective websites of the Stock Exchange and the Company. The Nomination Committee comprises two INEDs, namely Mr. Ma and Mr. Ho, and Mr. Huie, the Chairman and an executive Director. Mr. Huie is the chairman of the Nomination Committee.

The principal roles and functions of the Nomination Committee include but are not limited to:

- reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

## CORPORATE GOVERNANCE REPORT

- identifying individuals suitably qualified to become members of the Board and selecting or making recommendations to the Board on the selection of individuals nominated for directorships;
- assessing the independence of the INEDs;
- making recommendations to the Board on the appointment or re-appointment of Directors and the succession planning for the Directors, in particular, the Chairman and the CEO; and
- reviewing and monitoring the implementation of the Board diversity policy as adopted by the Board.

The Nomination Committee held a meeting on 20 March 2018 and, amongst other matters, reviewed the structure, size and composition of the Board, assessed the independence of the INEDs and recommended to the Board for consideration the re-appointment of the retiring Directors at the forthcoming annual general meeting of the Company (“AGM”).

The attendance of each Director in the capacity of a member of the Nomination Committee at the above meeting is as follows:

### **Name of Directors**

Mr. Huie (*chairman*)

Mr. Ma

Mr. Ho

### **Remuneration Committee**

The Remuneration Committee was established with effect from the Listing Date with written terms of reference in compliance with the CG Code. The written terms of reference of the Remuneration Committee are published on the respective websites of the Stock Exchange and the Company. The Remuneration Committee comprises two INEDs, namely Mr. Ma and Mr. Ho and Mr. Huie, the Chairman and an executive Director. Mr. Ho is the chairman of the Remuneration Committee.

The principal roles and functions of the Remuneration Committee include but are not limited to:

- making recommendations to the Board on the Company’s policy and structure for the remuneration of all Directors and senior management and on the establishment of a formal and transparent procedure for developing the remuneration policy;
- reviewing and approving management’s remuneration proposals by reference to the Board’s corporate goals and objectives;
- making recommendations to the Board on the remuneration packages of individual executive Directors and senior management including basic salaries, benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;
- making recommendations to the Board on the remuneration of the non-executive Directors;

## CORPORATE GOVERNANCE REPORT

- considering the salaries paid by comparable companies, Board members' time commitment and responsibilities and employment conditions elsewhere in the Group;
- reviewing and approving the compensation payable to the executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with the contractual terms and is otherwise fair and not excessive;
- reviewing and approving the compensation arrangements relating to the dismissal or removal of the Directors for misconduct to ensure that they are consistent with the contractual terms and are otherwise reasonable and appropriate; and
- ensuring that no Director or any of his associates (as defined in the GEM Listing Rules) is involved in deciding his own remuneration.

The Remuneration Committee held a meeting on 20 March 2018, and reviewed and recommended to the Board for consideration certain remuneration-related matters of the Directors and senior management.

The attendance of each Director in the capacity of a member of the Remuneration Committee at the above meeting is as follows:

### **Name of Directors**

Mr. Ho (*chairman*)

Mr. Huie

Mr. Ma

### **Risk Management Committee**

The Risk Management Committee was established with effect from the Listing Date. The primary functions of the Risk Management Committee include but are not limited to reviewing the Company's risk management policies and standards and monitoring the Company's exposure to sanctions law risks. The Risk Management Committee comprises Mr. Huie, the Chairman and an executive Director and Mr. Ng, the CEO and an executive Director. Mr. Huie is the chairman of the Risk Management Committee.

The Risk Management Committee held meetings on 20 March 2018 and considered certain risk management matters. Both Mr. Huie and Mr. Ng attended the meeting.

### **Corporate Governance Functions**

The Board is responsible for performing the corporate governance functions, which include:

- developing and reviewing the Company's policies and practices on corporate governance;
- reviewing and monitoring the training and continuous professional development of the Directors and senior management;
- reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;

## CORPORATE GOVERNANCE REPORT

- developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and the Directors; and
- reviewing the Company's compliance with the CG Code and disclosure in this report.

### **APPOINTMENT AND RE-ELECTION OF DIRECTORS**

Each of the executive Directors has entered into a service contract with the Company on 25 October 2017 for an initial term of three years commencing on the Listing Date.

Each of the INEDs has entered into a letter of appointment with the Company for a term of three years commencing on the Listing Date.

Save as disclosed aforesaid, none of the Directors has a service agreement or letter of appointment with the Company or any of its subsidiaries other than the contracts/letters of appointment expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

All the Directors, including INEDs, are subject to retirement by rotation and eligible for re-election in accordance with the Articles of Association. At each AGM, at least one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation, provided that each Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election. The Directors to retire by rotation shall include (so far as necessary to obtain the number required) any Director who wishes to retire and does not offer himself for re-election. Any Director who has not been subject to retirement by rotation in the three years preceding the AGM shall retire by rotation at such AGM. Any further Directors so to retire shall be those who have been the longest in office since their last re-election or appointment and so that as between the persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot. A Director is not required to retire upon reaching any particular age.

The Company may from time to time in general meeting by ordinary resolution elect any person to be a Director either to fill a casual vacancy or as an additional Director. Any Director so appointed shall be subject to retirement by rotation.

The Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an additional Director, but so that the number of Directors so appointed shall not exceed the maximum number (if any) determined from time to time by the Shareholders in a general meeting. Any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following AGM and shall then be eligible for re-election. Any such Director appointed shall not be taken into account in determining the number of Directors who are to retire by rotation at an AGM.

## CORPORATE GOVERNANCE REPORT

### REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Particulars of the Directors' remuneration for the Year are set out in note 9 to the Consolidated Financial Statements.

Pursuant to code provision B.1.5 of the CG Code, the remuneration of the members of the senior management (other than the Directors) whose particulars are contained in the section headed "Biographical Details of the Directors and Senior Management" in this annual report for the Year by band is set out below:

Remuneration band (in HK\$)	Number of individuals
Nil to 1,000,000	3

### INDEPENDENT AUDITOR'S REMUNERATION

Deloitte was engaged as the Group's independent auditor for the Year. Apart from the provision of annual audit services, Deloitte also provided the non-audit services in connection with the Listing and tax advisory service.

The remuneration paid/payable to Deloitte in respect of the Year is set out below:

Services	Fee (in HK\$)
Audit services — Annual audit	990,000
Non-audit Services:	
Reporting accountant for the Company's Listing	2,670,000
Tax advisory	50,000
<b>Total</b>	<b>3,710,000</b>

### DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for the preparation of the Consolidated Financial Statements.

The Directors were not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

In addition, the statement by the independent auditor of the Company regarding their responsibilities on the Consolidated Financial Statements is set out on the Independent Auditor's Report on page 38 to page 39 of this annual report.

## CORPORATE GOVERNANCE REPORT

### RISK MANAGEMENT AND INTERNAL CONTROL

The Company has in place policies and procedures in relation to risk management and internal control. The Board is primarily responsible for overseeing the risk management and internal control systems and for reviewing their effectiveness. The Company's internal control system and procedures are designed to meet its specific business needs and to minimise its risk exposure. The Company has adopted different internal guidelines, along with written policies and procedures to monitor and lessen the impact of risks which are relevant to its business and control its daily business operations. Management will identify the risks associated with the Group's day-to-day operations for review by the Board. The Board is responsible for evaluating and determining the nature and extent of the risks that the Company is willing to take in achieving the Company's strategic objectives, and ensuring that the Company establishes and maintains appropriate and effective risk management and internal control systems. The Board oversees management in the design, implementation and monitoring of the risk management and internal control systems. The Board acknowledges that such risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss. Since the Listing Date, the internal audit function of the Company has been carried out under the leadership of the Board and the Risk Management Committee. The Company will consider engaging an internal control consultant to review the Group's internal control system on an annual basis.

### DISCLOSURE OF INSIDE INFORMATION

The Group acknowledges its responsibilities under the SFO and the GEM Listing Rules and the overriding principle that inside information should be announced immediately when it is the subject of a decision. The procedures and internal controls for the handling and dissemination of inside information are as follows:

- the Group conducts its affairs with close regard to the disclosure requirement under the GEM Listing Rules as well as the "Guidelines on Disclosure of Inside Information" published by the Securities and Futures Commission of Hong Kong in June 2012;
- the Group has implemented and disclosed its policy on fair disclosure by pursuing broad, non-exclusive distribution of information to the public through channels such as financial reporting, public announcements and the Company's website;
- the Group has strictly prohibited unauthorised use of confidential or inside information; and
- the Group has established and implemented procedures for responding to external enquiries about the Group's affairs, so that only the executive Directors are authorised to communicate with parties outside the Group.

### COMPANY SECRETARY

The Company has appointed Mr. Kwok Siu Man ("**Mr. Kwok**") as the Company Secretary with effect from 14 March 2017.

Mr. Kwok was nominated by Boardroom Corporate Services (HK) Limited ("**Boardroom**") to act as the Company Secretary and Boardroom has been providing certain corporate secretarial services to the Company pursuant to an engagement letter entered into between the Company and Boardroom. The primary person at the Company with whom Mr. Kwok has been contacting in respect of company secretarial matters is Mr. Tony Chan, the Financial Officer.

## CORPORATE GOVERNANCE REPORT

Mr. Kwok delivered and attended over 15 hours' relevant continuous professional development training during the Year pursuant to rule 5.15 of the GEM Listing Rules.

All members of the Board have access to the advice and services of the Company Secretary. The appointment and removal of the Company Secretary has been/will be subject to the Board's approval.

### SHAREHOLDERS' RIGHTS

#### Procedures for Putting Forward Proposals at Shareholders' Meetings

There is no provision allowing Shareholders to make proposals or move resolutions at the AGMs under the Articles of Association or the laws of the Cayman Islands. Shareholders who wish to make proposals or move a resolution may, however, convene an extraordinary general meeting (the "**EGM**") in accordance with the "Procedures for Shareholders to convene an EGM" set out below.

#### Procedures for Shareholders to Convene an EGM

Any one or more Shareholders holding at the date of deposit of the requisition not less than 10% of the paid-up capital of the Company having the right of voting at general meetings of the Company (the "**Eligible Shareholder(s)**") shall at all times have the right, by written requisition to the Board or the Company Secretary for the purpose of requiring an EGM to be called by the Board for the transaction of any business specified in such requisition, including making proposals or moving a resolution at the EGM.

Eligible Shareholders who wish to convene an EGM for the purpose of making proposals or moving a resolution at the EGM must deposit a written requisition (the "**Requisition**") signed by the Eligible Shareholder(s) concerned (the "**Requisitionist(s)**") at the principal place of business of the Company in Hong Kong (presently 31/F., 148 Electric Road, North Point, Hong Kong) for the attention of the Company Secretary.

The Requisition must state clearly the name(s) of the requisitioner(s) concerned, his/her/their shareholding in the Company, the reason(s) to convene an EGM and the proposed agenda.

The Company will check the Requisition and the identity and shareholding of the Requisitionist(s) will be verified with the Company's branch share registrar in Hong Kong. If the Requisition is found to be proper and in order, the Company Secretary will ask the Board to convene an EGM and/or include the proposal(s) made or the resolution(s) proposed by the Requisitionist(s) at the EGM within 2 months after the deposit of the Requisition. On the contrary, if the Requisition has been verified as not in order, the Requisitionist(s) will be advised of the outcome and accordingly, the Board or the Company Secretary will not call for an EGM nor include the proposal(s) made or the resolution(s) proposed by the Requisitionist(s) at the EGM.

If within 21 days of the deposit of the Requisition the Board or the Company Secretary fails to proceed to convene such meeting, the Requisitionist(s) himself/herself/themselves may do so in the same manner, and all reasonable expenses incurred by the Requisitionist(s) as a result of the failure of the Board or the Company Secretary to convene an EGM shall be reimbursed to the Requisitionist(s) by the Company.

## CORPORATE GOVERNANCE REPORT

### Procedures for Shareholders to Send Enquires to the Board

Shareholders may direct their enquiries about their shareholdings or their notification of change of correspondence address or their dividend/distribution instructions to the Company's branch share registrar in Hong Kong, Boardroom Share Registrars (HK) Limited at Room 2103B, 21/F., 148 Electric Road, North Point, Hong Kong.

Shareholders may send their enquiries and concerns to the Board by post to the headquarters and principal place of business of the Company in Macau at Avenida da Amizade No. 1023, Edificio Nam Fong, 1-(AA), Macau or by email to [ir@apemacau.com](mailto:ir@apemacau.com), for the attention of the Company Secretary.

Upon receipt of the enquiries, the Company Secretary will forward the communications relating to:

1. the matters within the Board's purview to the executive Directors;
2. the matters within a Board committee's area of responsibility to the chairman of the appropriate committee; and
3. ordinary business matters, such as suggestions, enquiries and client complaints to the appropriate management of the Company.

### COMMUNICATION WITH THE SHAREHOLDERS

The Company has adopted a Shareholders' communication policy with the objective of ensuring that the Shareholders will have equal and timely access to information about the Company in order to enable the Shareholders to exercise their rights in an informed manner and allow them to engage actively with the Company.

Information will be communicated to the Shareholders through the Company's financial reports, AGMs and other EGMs that may be convened as well as all the published disclosures submitted to the Stock Exchange.

### CONSTITUTIONAL DOCUMENTS

Except for the adoption of the amended and restated memorandum and Articles of Association (the "M&A") by the Company to comply with the applicable legal and regulatory requirements (including the GEM Listing Rules) on 25 October 2017, which took effect from the Listing Date, there was no change in the constitutional documents of the Company during the Year.

The amended and restated M&A is available on the respective websites of the Stock Exchange and the Company.

**DIRECTORS' REPORT**

The Directors are pleased to present the Group's first annual report together with the audited Consolidated Financial Statements.

**Initial Public Offering**

The Group listed its issued Shares on GEM of the Stock Exchange on 15 November 2017.

**Principal Activities**

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are the distribution, repair and consultancy of EGE to gaming operators in Macau SAR as well as other regions in Asia. Details of the Company's principal subsidiaries are set out in note 28 to the Consolidated Financial Statements. There was no significant change in the nature of the Group's principal activities during the Year.

**Principal Risks and Uncertainties**

Our Group's financial condition, results of operations, businesses and prospects would be affected by a number of risks and uncertainties. All the risks relating to our Group's businesses have been set out in the Prospectus under the section headed "Risk Factors".

**Business Review**

A fair review of the business of the Group as well as the discussion and analysis of the Group's performance during the Year, and the material factors underlying its financial performance and financial position and the Group's future development can be found in the section headed "Chairman's Statement" on page 3 and in the section headed "Management Discussion and Analysis" on pages 4 to 7 of this annual report. No important events affecting the Group occurred since the end of the Year and up to the date of this annual report.

Breakdown of sales revenues by business segments:

	Technical sales and distribution of electronic gaming equipment HK\$	Consulting and technical services HK\$	Repairs services HK\$	Sales of refurbished electronic gaming machines HK\$
Revenue	72,785,924	6,761,257	2,164,594	4,352,183
Cost of sales and services	(45,925,727)	(1,431,544)	(1,578,575)	(2,297,731)
Gross profit	26,860,197	5,329,713	586,019	2,054,452
Gross profit ratio	36.9%	78.8%	27.1%	47.2%

**(i) Technical sales and distribution of electronic gaming equipment ("Technical Sales and Distribution")**

For the year ended 31 December 2017, technical Sales and Distribution represented 84.6% (2016: 79.6%) of the Group's total revenue and encompasses the brands of EGE which the Group distributes under its multi-brand distribution business model. Technical Sales also included sale of spare parts sourced from the manufacturers we officially distribute.

## DIRECTORS' REPORT

For the Year, revenue generated from this segment amounted to approximately HK\$72.8 million, representing an increase of 74.0% as compared with approximately HK\$41.8 million in FY2016. The increase was mainly attributable to the new casino openings during the Year. For FY2017 and 2016, the revenues generated from this segment represented approximately 84.6% and 79.6% of the Group's total revenue, respectively.

In terms of unit sales breakdown as measured by number of seats, for the Year, 393 seats were sold representing a 66.5% increase over the Previous Year. This can be mostly attributed to an increase in the number of EGMs sold in FY2017.

By number of seats	2017	2016	Change %
ETGs	244	216	13.0%
EGMs	149	20	645.0%
TOTAL	393	236	66.5%

### (ii) Consulting and technical services

The Group provides technical and regulatory consulting services to supplier or manufacturers of EGE, and technical services to both manufacturers and casino operators.

For the Year, revenue generated from this segment amounted to approximately HK\$6.8 million compared with approximately HK\$8.6 million in FY2016. The decrease in income of consulting and technical services was mainly attributable to re-negotiation of consultancy contracts of a casino manufacturer at lower monthly retainer fees resulting in lower revenue generated for this segment.

### (iii) Repair services

In FY2017, the Group has invested into creating an integrated workshop in Macau SAR to repair slot machines, which are out of warranty from other manufacturers, for casino operators.

For the Year, revenue generated from this segment amounted to approximately HK\$2.2 million, representing an increase of approximately 3.6% as compared with that for FY2016.

The gross profit margin for repairs was approximately 27.1% in FY2017 compared to approximately 14.3% in FY2016 due to the commencement of our integrated workshop in February 2017.

### (iv) Sales of refurbished electronic gaming machines

In FY2017, we purchased a lot of 319 used slot machines from a Macau casino operator for refurbishment at our integrated workshop and resold them to an overseas buyer. This created a new stream of revenue for the Group. A revenue of approximately HK\$4.4 million and a gross profit of approximately HK\$2.1 million were generated for this new segment.

## Results and Dividends

The results of the Group for the Year are set out in the consolidated statement of profit or loss and other comprehensive income on page 40 of this annual report.

During the Year, interim dividend of an aggregate amount of HK\$6,500,000 (2016: HK\$12,495,146) have been declared and paid by APE BVI to its shareholders. No dividend has been proposed since the end of the reporting period.

## DIRECTORS' REPORT

### Pre-emptive rights

There is no provision for pre-emptive rights under the Articles of Association or the laws of the Cayman Islands which would oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders.

### Use of Proceeds from the Listing

The net proceeds from the Listing ("**Net Proceeds**") received by the Company after deducting underwriting fees and the estimated expenses was approximately HK\$40 million. The intended use of the Net Proceeds are disclosed in the section "Statement of Business Objectives and Use of Proceeds" in the Prospectus. Unutilised Net Proceeds as at 31 December 2017 amounted to approximately HK\$37.4 million, is deposited in a licensed bank in Hong Kong. The Company intends to use the remaining Net Proceeds in the coming years in accordance with the purposes set out in the Prospectus.

As at 31 December 2017, the Group has utilised the Net Proceeds as follows:

	Percentage to total amount	Net proceeds HK\$ million	Utilised amount HK\$ million	Unutilised amount HK\$ million
Upfront deposits for manufacturers to provide more trial products	41.5%	16.6	–	16.6
Procuring Electronic Gaming Equipment for lease to casino operators in Macau	17.8%	7.1	–	7.1
Procuring and refurbishment of used Electronic Gaming Equipment for resales	13.2%	5.3	2.3	3.0
Enhancing market recognition in Macau and South East Asia and strengthening in-house capability to provide repair services	17.3%	6.9	–	6.9
Relocation of office premises	0.7%	0.3	–	0.3
Purchase of tools and equipment and new ERP system	6.8%	2.7	–	2.7
General working capital	2.7%	1.1	0.3	0.8
	100%	40.0	2.6	37.4

### Environmental Policies and Performance

The Group commits to the long term sustainability of the environment and the communities in which it operates. Acting in an environmentally responsible manner, the Group endeavors to comply with the laws and regulations regarding environmental protection and adopt effective measures to achieve efficient use of resources, energy saving and waste reduction.

The environmental, social and governance report of the Company containing the details of the environmental, social and governance performance of the Group will be issued in June 2018.

### Compliance with the Relevant Laws and Regulations

As far as the Board is aware, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the Year, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

## DIRECTORS' REPORT

### **Relationship with Suppliers, Customers, Employees and Other Stakeholders**

The Group understands the importance of maintaining a good relationship with its suppliers, customers, employees and other stakeholders to meet its immediate and long term goals. During the Year, there was no material and significant dispute between the Group and its suppliers, customers, employees and/or other stakeholders.

### **Permitted Indemnity**

Pursuant to the Articles of Association and the applicable laws and regulations, every Director shall be indemnified and secured harmless of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain in the execution of their duties in their offices. Such permitted indemnity provision has been in force throughout the Period. The Company has subscribed an insurance policy under which the Directors and senior management of the Company are indemnified from and against any losses, damages, liabilities and expenses arising from including but not limited to any proceedings brought against them during the performance of their duties and responsibilities.

### **Annual General Meeting**

The 2018 AGM will be held on Thursday, 31 May 2018. A circular containing the details of 2018 AGM and the notice of 2018 AGM and form of proxy accompanying thereto will soon be dispatched to the Shareholders.

### **Distributable Reserves**

The Company's reserves available for distribution comprise the share premium account less accumulated losses. As at 31 December 2017, the reserves of the Company available for distribution to the Shareholders, calculated in accordance with the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to approximately HK\$40,854,000.

Details of the movements in the reserves of the Company and the Group during the Year are set out in Note 29 to the Consolidated Financial Statements and in the consolidated statement of changes in equity, respectively.

### **Property and Equipment**

Details of the movements in property and equipment of the Group during the Year are set out in Note 12 to the Consolidated Financial Statements.

### **Interest Capitalized**

No interest was capitalized by the Group during the Year.

### **Share Capital**

Details of the Company's share capital and the movements therein during the Year are set out in Note 20 to the Consolidated Financial Statements.

## DIRECTORS' REPORT

### Major Customers and Suppliers

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers during the Year is as follows:

	Percentage of the Group's total	
	Sales	purchases
— The largest customer	28%	N/A
— 5 largest customers in aggregate	78%	N/A
— The largest supplier	N/A	51%
— 5 largest suppliers in aggregate	N/A	93%

At no time during the Year, none of the Directors, their associates or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's share capital) had any beneficial interest in the major customers and suppliers disclosed above.

### Directors

The Directors in office since 22 February 2017, the date on which the Company was incorporated as an exempted company in the Cayman Islands (the "Incorporation Date") and up to the date of this annual report are as follows:

Executive Directors appointed on the Incorporation Date	Independent Non-executive Directors appointed on 25 October 2017
Mr. Huie Allen Tat Yan ( <i>Chairman</i> )	Mr. Choi Kwok Wai
Mr. Ng Man Ho Herman ( <i>Chief executive officer</i> )	Mr. Ma Chi Seng
	Mr. Ho Kevin King Lun

### Directors' and Senior Management's Biographies

Biographical details of the Directors and the senior management of the Group are set out on pages 8 to 12 of this annual report.

### Directors' Service Contracts

Each of the Directors has entered into a service contract with the Company on 30 October 2017 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 Articles of Association.

None of the Directors proposed for re-election at the 2018 AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

### Independence Confirmation

The Company has received from each of the INEDs a confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules and considered that all of the INEDs are independent.

### Emoluments of Directors and Five Highest Paid Individuals

Details of the emoluments of the Directors and the five highest paid individuals of the Group are set out in Note 9a and 9b to the Consolidated Financial Statements.

## DIRECTORS' REPORT

### Management Contracts

Since the Incorporation Date and up to the date of this annual report, the Company did not enter into or have any management and administration contracts in respect of the whole or any principal business of the Company.

### Emolument Policy

In order to recruit, develop and retain talented employees, we offer competitive remuneration packages to the staff, including internal promotion opportunities and performance based bonuses. The remuneration packages are subject to review on a regular basis. The emoluments of the Directors are reviewed by the Remuneration Committee, having regard to the Company's operating results, individual performance, duties and responsibilities within the Group and comparable market statistics.

### Directors' Interests in Contract

Saved as disclosed under the section "Connected Transactions" below, no contract of significance to which the Company, or any of its holding company or subsidiaries was a party, and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the Year or at any time during the Year.

### Directors' Interests in Competing Business

None of the Directors or the substantial shareholders of the Company ("**Substantial Shareholders**") or their respective close associates (as defined in the GEM Listing Rules) has interests in any business apart from the Group's business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group during the Year and up to the date of this annual report.

### Change to Information of Directors

In accordance with Rule 17.50A(1) of the GEM Listing Rules, the change to information required to be disclosed pursuant to paragraphs (a) to (e) and (g) of Rule 17.50(2) of the GEM Listing Rules since the date of the Prospectus is as follow:

Mr. Choi, an INED, has resigned as the chairman of The Society of Chinese Accountants and Auditors in 2018 but still served as its council member from 2009 to the date of this annual report

### Share Option Scheme

The Company has conditionally adopted a share option scheme (the "**Share Option Scheme**") on 25 October 2017. A summary of the principal terms of the Share Option Scheme was summarised in the paragraph headed "Share Option Scheme" in Appendix IV to the Company's Prospectus.

### Non-Competition Undertaking

On 25 October, 2017, APE HAT, Mr. Huie, Mr. Ng, and Mr. Chan (being the substantial shareholders) entered into a non-competition undertaking in favor of the Group (the "**Deed of Non-competition**" and the "**Non-Competition**", respectively).

The Company has received from each of them a written confirmation on the compliance with the Non-competition during the Year. The INEDs have reviewed the status of compliance and confirmed that all the undertakings under the Deed of Non-competition had been complied with by the above-mentioned persons and entity and duly enforced since the Listing Date and up to 31 December 2017.

## DIRECTORS' REPORT

### Directors' and Chief Executive's Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company and Its Associated Corporations

As at 31 December 2017, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be recorded in the register referred to therein; or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules to be notified to the Company and the Stock Exchange, were as follows:

#### Long Position in the Shares

Name of Director/ Chief executive	Capacity/Nature of interest	Number of Shares/ underlying Shares interested	Approximate percentage of the Company's issued Shares*
Mr. Huie	Interest of a controlled corporation, interest held jointly with another person	725,100,000	72.51%
Mr. Ng	Interest of a controlled corporation, interest held jointly with another person	725,100,000	72.51%

Note: The Company is owned as to 72.51% by APE HAT Holdings Limited ("APE HAT") which is beneficially owned as to 39.68%, 39.68% and 20.64% by Mr. Huie, the Chairman and an executive Director, Mr. Ng, the CEO and an executive Director and Mr. Chan Chi Lun ("Mr. Chan"), respectively. Pursuant to a deed of concert parties dated 10 March 2017 (the "Deed of Concert Parties"), each of Mr. Huie, Mr. Ng and Mr. Chan has agreed and confirmed, among other things, that they have been parties acting in concert in relation to the Group since 1 January 2015 and will continue to act in the same manner in the Group upon the Listing. By virtue of the SFO, Mr. Huie, Mr. Ng and Mr. Chan are deemed to be interested in the Shares held by APE HAT.

\* The percentage represents the total number of the Shares and the number of underlying Shares interested divided by the number of issued Shares as at 31 December 2017 (i.e. 1,000,000,000 Shares).

#### Long Position in the Shares of Associated Corporation

Name	Name of associated corporation	Capacity/Nature of interest	Number of Shares Held	Percentage of interest
Mr. Huie (Notes (2) and (3))	APE HAT (Notes)	Beneficial owner	992	39.68%
Mr. Ng (Notes (2) and (3))	APE HAT (Notes)	Beneficial owner	992	39.68%

## DIRECTORS' REPORT

### Notes:

- (1) APE HAT is the direct Shareholder of the Company and is an associated corporation within the meaning of Part XV of the SFO.
- (2) Each of Mr. Huie and Mr. Ng is a director of APE HAT.
- (3) Pursuant to the Deed of Concert Parties, Mr. Huie and Mr. Ng are deemed to be interested in the Shares in which APE HAT is interested within the meaning of Part XV of the SFO.

Save as disclosed above, as at 31 December 2017, none of the Directors nor the chief executive of the Company had any interests and short positions in the Shares, underlying Shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be recorded in the register referred to therein; or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

### Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares

As at 31 December 2017, so far as is known to the Directors, the following persons or entities, other than the Directors and the chief executive of the Company, had interests or short positions in the Shares and underlying Shares as recorded in the register required to be kept under Section 336 of the SFO:

#### Long Position in the Shares

Name of Shareholder	Capacity/Nature of Interest	Number of Shares interested or held	Approximate percentage of the Company's issued Shares*
APE HAT (Notes (1) and (2))	Beneficial owner	725,100,000	72.51%
Mr. Chan (Note (3))	Interest of a controlled corporation, interest held jointly with another person	725,100,000	72.51%

### Notes:

- (1) APE HAT is the direct Shareholder of the Company.
- (2) APE HAT is beneficially owned as to 39.68%, 39.68% and 20.64% by Mr. Huie, Mr. Ng and Mr. Chan, respectively.
- (3) Pursuant to the Deed of Concert Parties, Mr. Chan is deemed to be interested in the Shares in which APE HAT is interested by virtue of the SFO.

\* The percentage represents the number of Shares interested divided by the number of issued Shares as at 31 December 2017 (i.e. 1,000,000,000 Shares).

## DIRECTORS' REPORT

Save as disclosed above, as at 31 December 2017, so far as is known by or otherwise notified to the Directors, no other entity or person (other than a Director or the chief executive of the Company) had interests and short positions in the Shares and underlying Shares as required to be recorded in the register to be kept by the Company under Section 336 of the SFO.

### **Arrangements to Enable Directors to Acquire Shares or Debentures**

Save as disclosed above, at no time during the Year was the Company or any of its subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the Directors or their respective associates (as defined in the GEM Listing Rules) to acquire benefits by means of acquisition of Shares in, or debentures of, the Company or any other body corporate.

### **Purchase, Sale or Redemption of the Company's Listed Securities**

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

### **Connected Transactions**

A transaction with Tai Pong Fat Construction and Investment Company as disclosed in Note 26 to the Consolidated Financial Statements constituted continuing connected transaction but is exempt from the reporting, announcement, annual review and independent shareholders' approval requirements of Chapter 20 of the GEM Listing Rules. Save for the aforesaid transaction, the other related party transactions shown in Note 26 to the Consolidated Financial Statements does not constitute connected transaction or continuing connected transaction under the GEM Listing Rules.

### **Directors' Confirmation**

The INEDs have reviewed the above continuing connected transactions and confirmed that the transactions have been entered into: (i) in the ordinary and usual course of business of the Group; (ii) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

### **Events After the Year**

The Directors confirmed that no major subsequent event that affected the Group has occurred after 31 December 2017 and up to the date of this annual report.

### **Compliance with Corporate Governance Code**

During the Period, the Company has applied the principles and adopted all code provisions, where applicable, of the C. G. Code. The Company has complied with all applicable code provisions as set out in the C. G. Code during the Period as its own code of corporate governance.

## DIRECTORS' REPORT

### Compliance Adviser's Interest in the Company

As at 31 December 2017, as notified by the Company's compliance adviser, Southwest Securities (HK) Capital Limited (the "Compliance Adviser"), except for the compliance adviser agreement dated 16 March 2017 entered into between the Company and the Compliance Adviser, neither the Compliance Adviser nor its directors, employees or its close associates (as defined under the GEM Listing Rules) had any interests in relation to the Company which is required to be notified to the Group pursuant to Rule 6A.32 of the GEM Listing Rules.

### Sufficiency of Public Float

As at the date of this annual report, based on the information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirm that the Company has maintained a sufficient amount of public float for its Shares as required under the GEM Listing Rules throughout the Period.

### Review by Audit Committee

The Audit Committee was established with effect from the Listing Date with written terms of reference in compliance with code provision C.3 of the CG Code and Rules 5.28 to 5.33 of the GEM Listing Rules. The primary duties of the Audit Committee are, among other things, to make recommendations to the Board on the appointment, re-appointment and removal of external auditors and to review and monitor the financial reporting process, risk management and internal control systems of the Group. The Audit Committee currently comprises all the three INEDs, namely Mr. Choi, Mr. Ma and Mr. Ho. Mr. Choi is the chairman of the Audit Committee.

The Audit Committee has reviewed the audited Consolidated Financial Statements and is of the view that such statements have been prepared in compliance with the applicable accounting standards, the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures have been made.

### Closure of Register of Members for Annual General Meeting

The AGM is scheduled to be held on Thursday, 31 May 2018. For determining Shareholders' entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Monday, 28 May 2018 to Thursday, 31 May 2018, both days inclusive, during which period no transfer of the Shares will be registered. All properly completed and stamped transfer documents accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Boardroom Share Registrars (HK) Limited at Room 2103B, 21/F., 148 Electric Road, North Point, Hong Kong for registration by no later than 4:30 p.m. on Friday, 25 May 2018.

### Auditor

The Consolidated Financial Statements have been audited by Deloitte, who will retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of Deloitte as the auditor of the Company will be proposed at the 2018 AGM.

By the order of the Board  
**Asia Pioneer Entertainment Holdings Limited**  
**Huie, Allen Tat Yan**  
*Chairman and Executive Director*  
Hong Kong, 20 March 2018

## INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF  
**ASIA PIONEER ENTERTAINMENT HOLDINGS LIMITED**  
亞洲先鋒娛樂控股有限公司  
*(incorporated in the Cayman Islands with limited liability)*

### **Opinion**

We have audited the consolidated financial statements of Asia Pioneer Entertainment Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as “the Group”) set out on pages 40 to 72, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (“IASB”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### **Basis for Opinion**

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSA”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## INDEPENDENT AUDITOR'S REPORT

### Key Audit Matters *(Continued)*

Key audit matter	How our audit addressed the key audit matter
<p><b><i>Revenue recognition on technical sales and distribution of electronic gaming equipment</i></b></p> <p>We identified revenue recognition on technical sales and distribution of electronic gaming equipment as a key audit matter due to the significance of the balance to the consolidated financial statements. The Group enters into contracts with customers (casino operators) for technical sales and distribution of electronic gaming equipment, which includes multi-elements as described in note 4 to the consolidated financial statements. The directors of the Company have to apply judgment to consider whether the multi-elements are separately identifiable components for revenue recognition.</p> <p>As disclosed in note 5 to the consolidated financial statements, the revenue from technical sales and distribution of electronic gaming equipment for the year ended 31 December 2017 is approximately HK\$72.8 million.</p>	<p>Our procedures in relation to revenue recognition on technical sales and distribution of electronic gaming equipment included:</p> <ul style="list-style-type: none"> <li>• Obtaining an understanding of the processes in relation to revenue recognition and testing the key controls over recognition of revenue from technical sales and distribution of electronic gaming equipment;</li> <li>• Assessing the appropriateness of judgment made by the directors of the Company on revenue recognition on the technical sales and distribution of electronic gaming equipment with reference to International Accounting Standard 18 Revenue; and</li> <li>• Testing the revenue from technical sales and distribution of electronic gaming equipment, on a sample basis, against sales contracts or orders, approved model list of electronic gaming equipment by local regulatory authorities and customer acknowledgement of delivery and installation.</li> </ul>

## INDEPENDENT AUDITOR'S REPORT

### Key Audit Matters *(Continued)*

Key audit matter	How our audit addressed the key audit matter
<p><b>Estimated impairment of trade receivables</b></p> <p>We identified the estimated impairment of doubtful debt as a key audit matter due to the use of judgment and estimates by management in assessing the impairment of trade receivables.</p> <p>In determining the allowance for trade receivables, the management considers the credit history of individual trade debtor including default or delay in payments, settlement records and aging analysis of trade receivables.</p> <p>As at 31 December 2017, the carrying amount of trade receivables is approximately HK\$18.1 million as set out in note 14 to the consolidated financial statements.</p>	<p>Our procedures in relation to the estimated impairment of trade receivables included:</p> <ul style="list-style-type: none"> <li>• Obtaining an understanding on how management assesses the impairment of trade receivables;</li> <li>• Evaluating the reasonableness and appropriateness of estimating the impairment loss with reference to the credit history of individual trade debtor including default or delay in payments, settlement records and aging analysis of trade receivables;</li> <li>• Obtaining aging analysis of trade receivables and testing the accuracy of the aging analysis, on a sample basis, against sales invoices or contracts; and</li> <li>• Testing subsequent settlements of trade receivables, on a sample basis, to the source documents including bank-in slips.</li> </ul>

### Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## INDEPENDENT AUDITOR'S REPORT

### **Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements**

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

## INDEPENDENT AUDITOR'S REPORT

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

*(Continued)*

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Lam, Lawrence.

#### **Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

20 March 2018

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	2017 HK\$	2016 HK\$
Revenue	5	<b>86,063,958</b>	52,576,234
Cost of sales and services		<b>(51,233,577)</b>	(29,347,887)
Gross profit		<b>34,830,381</b>	23,228,347
Other income, gains and losses	6	<b>498,652</b>	901,770
Operating expenses		<b>(14,003,857)</b>	(8,339,545)
Listing expenses		<b>(14,202,195)</b>	(4,331,870)
Profit before tax		<b>7,122,981</b>	11,458,702
Income tax expense	7	<b>(2,630,695)</b>	(1,896,421)
Profit and total comprehensive income for the year	8	<b>4,492,286</b>	9,562,281
Earnings per share			
Basic	11	<b>0.006</b>	0.013

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

At 31 December 2017

	Notes	2017 HK\$	2016 HK\$
<b>NON-CURRENT ASSETS</b>			
Property and equipment	12	<b>619,190</b>	385,593
Deposit for property and equipment		<b>1,553,398</b>	320,000
Rental deposit		<b>180,000</b>	–
		<b>2,352,588</b>	705,593
<b>CURRENT ASSETS</b>			
Inventories	13	<b>1,457,065</b>	284,554
Trade and other receivables	14	<b>21,977,263</b>	11,245,002
Fixed bank deposit	15	<b>40,077</b>	39,640
Bank balances and cash	16	<b>66,751,020</b>	15,710,607
		<b>90,225,425</b>	27,279,803
<b>CURRENT LIABILITIES</b>			
Trade and other payables	17	<b>18,548,164</b>	10,486,436
Amounts due to shareholders	18	–	26,179
Amounts due to related parties	19	–	1,660,117
Tax payable		<b>3,562,732</b>	1,883,016
		<b>22,110,896</b>	14,055,748
<b>NET CURRENT ASSETS</b>		<b>68,114,529</b>	13,224,055
<b>NET ASSETS</b>		<b>70,467,117</b>	13,929,648
<b>CAPITAL AND RESERVES</b>			
Share capital	20	<b>10,000,000</b>	–
Reserves		<b>60,467,117</b>	13,929,648
		<b>70,467,117</b>	13,929,648

The consolidated financial statements on pages 40 to 72 were approved and authorised for issue by the Board of Directors on 20 March 2018 and are signed on its behalf by:

**Mr. Huie, Allen Tat Yan**  
DIRECTOR

**Mr. Ng, Man Ho Herman**  
DIRECTOR

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the year ended 31 December 2017

	Share capital HK\$	Share premium HK\$	Merger reserve HK\$ (Note b)	Legal reserve HK\$ (Note a)	Accumulated profits HK\$	Total HK\$
At 1 January 2016	–	–	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 10)	–	–	–	–	(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 year	–	–	–	–	4,492,286	4,492,286
Share swap upon reorganisation (note 20 (i))	25	6,553,628	(6,553,653)	–	–	–
Capitalisation issue (note 20 (iii))	7,499,975	(7,499,975)	–	–	–	–
Expenses incurred in connection with the issuance of ordinary shares	–	(11,454,817)	–	–	–	(11,454,817)
Issuance of ordinary shares upon listing	2,500,000	67,500,000	–	–	–	70,000,000
Dividends (note 10)	–	–	–	–	(6,500,000)	(6,500,000)
At 31 December 2017	<b>10,000,000</b>	<b>55,098,836</b>	<b>(3,416,148)</b>	<b>504,489</b>	<b>8,279,940</b>	<b>70,467,117</b>

## Notes:

- In accordance with provision of the Macau Commercial Code, the subsidiary incorporated in Macau Special Administrative Region ("Macau SAR") is required to transfer a minimum of 25% of the profit after taxation each year to the legal reserve until the balance meets 50% of its registered capital. The reserve is not distributable to shareholders.
- The balance of merger reserve at 31 December 2016 represented the share capital of APE BVI attributable to the Controlling Equity Holders prior to the reorganisation. The movement of merger reserve during the year ended 31 December 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 20(i), and the carrying amount of total equity of APE BVI at the date of completion of the reorganisation.

**CONSOLIDATED STATEMENT OF CASH FLOWS**

For the year ended 31 December 2017

	2017 HK\$	2016 HK\$
<b>OPERATING ACTIVITIES</b>		
Profit before tax	7,122,981	11,458,702
Adjustments for:		
Depreciation of property and equipment	217,795	143,987
Interest income	(89,089)	(1,178)
Write-off of inventories	-	88,306
Gain on disposal of property and equipment	-	(1,942)
Operating cash flows before movements in working capital	7,251,687	11,687,875
(Increase) decrease in inventories	(1,172,511)	2,418,603
Increase in trade and other receivables	(12,392,211)	(5,645,224)
(Decrease) increase in amounts due to related parties	(1,660,117)	915,050
Increase (decrease) in trade and other payables	7,929,940	(810,999)
Net cash (used in) from operations	(43,212)	8,565,305
Income tax paid	(950,979)	(2,541,888)
<b>NET CASH (USED IN) FROM OPERATING ACTIVITIES</b>	<b>(994,191)</b>	<b>6,023,417</b>
<b>INVESTING ACTIVITIES</b>		
Interest received	89,089	1,178
Placement of fixed bank deposit	(437)	(488)
Purchase of property and equipment	(131,392)	(264,320)
Proceeds from disposal of property and equipment	-	1,942
Deposit for property and equipment	(1,553,398)	(320,000)
Advances to shareholders	-	(571,779)
Repayments from shareholders	-	3,433,641
<b>NET CASH (USED IN) FROM INVESTING ACTIVITIES</b>	<b>(1,596,138)</b>	<b>2,280,174</b>
<b>FINANCING ACTIVITIES</b>		
Proceeds from issuance of shares	70,000,000	-
Repayments to shareholders	(26,179)	-
Issue costs paid	(9,843,079)	(1,409,786)
Dividends paid	(6,500,000)	(6,000,000)
<b>NET CASH FROM (USED IN) FINANCING ACTIVITIES</b>	<b>53,630,742</b>	<b>(7,409,786)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>51,040,413</b>	<b>893,805</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>15,710,607</b>	<b>14,816,802</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>66,751,020</b>	<b>15,710,607</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

### 1. GENERAL

The Company is a limited liability company incorporated in the Cayman Islands on 22 February 2017. The address of the Company's registered office is PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands. The principal place of business of the Company in Macau SAR is located at Avenida da Amizade No. 1023, Edificio Nam Fong, 1 andar(AA), Macau. The issued shares of the Company have been listed on GEM of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 15 November 2017.

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, is also the ultimate holding company of the Company.

The Company is an investment holding company and its subsidiaries are principally engaged in (1) procurement, distribution, assistance in fulfilling the requirement from relevant government authorities and installation of electronic gaming equipment and spare parts and the related after sales services to casino operators ("Technical Sales and Distribution of Electronic Gaming Equipment"); (2) the provision of consulting services to manufacturers of electronic gaming equipment including (a) regulatory consultancy; (b) product design and content consultancy; (c) localisation consultancy; and (d) on-site consultancy ("Consultancy and Technical Services"); (3) the provision of repair services to casino operators ("Repair Services") and (4) sales of refurbished electronic gaming machines.

Prior to the incorporation of the Company and the completion of the reorganisation, the main operating activities of the Group were carried out by Asia Pioneer Entertainment Limited ("APE Macau"), a 99.8% owned subsidiary of Asia Pioneer Entertainment, Ltd. ("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 executed an acting in concert confirmation whereby they confirmed the existence of their acting in concert arrangements in the past, present and future to collectively control over the Group's business.

Pursuant to the reorganisation, the Company became the holding company of the companies now comprising the Group on 14 March 2017. Since the Controlling Equity Holders control all the companies now comprising the Group before and after the reorganisation, the Group comprising the Company and its subsidiaries is regarded as a continuing entity. The consolidated financial statements have been prepared on the basis as if the Company has always been the holding company of the Group using the principle of merger accounting.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

### 2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”)

The Group has consistently applied all IFRSs issued by the International Accounting Standards Board (“IASB”), which are effective for the Group’s financial year beginning 1 January 2017.

#### New and revised IFRSs in issue but not yet effective

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

IFRS 9	Financial Instruments <sup>1</sup>
IFRS 15	Revenue from Contracts with Customers and the related Amendments <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 9	Prepayment Features with Negative Compensation <sup>2</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 19	Plan Amendment, Curtailment or Settlement <sup>2</sup>
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures <sup>2</sup>
Amendments to IAS 28	As part of the Annual Improvements to IFRS Standards 2014–2016 Cycle <sup>1</sup>
Amendments to IAS 40	Transfers of Investment Property <sup>1</sup>
Amendments to IFRSs	Annual Improvements to IFRS Standards 2015–2017 Cycle <sup>2</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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

### 2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

#### **IFRS 15 Revenue from Contracts with Customers**

IFRS 15 was issued, which 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.

In 2016, the IASB issued Clarifications to IFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

### 2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

#### IFRS 16 Leases

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede IAS 17 Leases and the related interpretations when it becomes effective.

IFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, operating lease payments are presented as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

As at 31 December 2017, the Group has non-cancellable operating lease commitments of HK\$5,386,793 as disclosed in note 24. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of IFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid of HK\$180,000 as rights and obligations under leases to which IAS 17 applies. Based on the definition of lease payments under IFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use assets. Adjustments to refundable rental deposits received would be considered as advance lease payments.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

Except as described above, the directors of the Company do not anticipate that the application of other new and amendments to IFRSs and interpretations will have material impact on the Group's consolidated financial statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

### 3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis at the end of each reporting period, as explained in the accounting policies 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 consolidated financial statements 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 consolidated financial statements incorporate the financial statements of the Company, entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

### 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### **Basis of consolidation** *(Continued)*

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

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

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

#### **Merger accounting for business combination involving entities under common control**

The consolidated financial statements incorporate 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 recognised 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 statement 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.

#### **Revenue recognition**

Revenue, representing the income from sales and distribution of electronic gaming machines and equipment, provision of consulting and technical services and repairs services, is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts.

#### **Sales of electronic gaming equipment**

Revenue from the sale and distribution of electronic gaming equipment is recognised 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

### 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### **Revenue recognition** *(Continued)*

##### ***Income from consulting and technical services***

Income from consulting and technical services is recognised over the contract period in accordance with the terms and substances of the consultancy contracts.

##### ***Income from repairs services***

Income from repair services represents the consideration received or receivable for providing repair services to casino operators.

Income from repair services are recognised when the related services are rendered.

##### ***Service handling income***

Service handling income is recognised when the related services are rendered.

Interest income from a financial asset is recognised 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 apportionment 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.

##### ***Commission income***

Commission income is recognised when services are provided.

##### **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 recognised 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 recognised as a liability. The aggregate benefit of incentives is recognised 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 recognised in profit or loss in the period in which they arise.

##### **Retirement benefit costs**

Payments to the defined contribution retirement scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Taxation

Income tax expenses represent the sum of the tax currently payable.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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 recognised in profit or loss.

#### Property and equipment

Property and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method, at the following rates per annum:

Leasehold improvement	33.33%
Furniture, fixtures and equipment	20%
Electrical equipment	20%–33.33%
Computers	25%
Motor vehicles	20%

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

### 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### **Property and equipment** *(Continued)*

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

#### **Inventories**

Inventories, which mainly represent the spare parts and finished goods, are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method.

#### **Financial instruments**

Financial assets and financial liabilities are recognised 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 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 recognised on an effective interest basis for debt instrument.

#### *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, loans and receivables (including trade and other receivables, fixed bank deposit and bank balances and cash) are carried at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Financial instruments (Continued)

##### Financial assets (Continued)

##### 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.

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised 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 recognised 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.

For financial assets measured at amortised cost, 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 recognised, the previously recognised 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

### 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### **Financial instruments** *(Continued)*

##### **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 an entity after deducting all of its liabilities. Equity instruments issued by the group entity are recognised at the proceeds received, net of direct issue costs.

##### *Financial liabilities at amortised cost*

Financial liabilities at amortised cost including trade and other 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 recognised on an effective interest basis.

##### **Derecognition**

The Group derecognises a financial asset only when the contractual rights to receive cash flows from the asset expired, 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 recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

### 3. SIGNIFICANT ACCOUNTING POLICIES — continued

#### Impairment 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 recognised 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 recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately in profit or loss.

### 4. CRITICAL ACCOUNTING JUDGEMENT 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 judgements, 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 recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

#### Critical judgement on applying accounting policies

The following are the critical judgement, 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 recognised in the consolidated financial statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

### 4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

#### Critical judgment on applying accounting policies *(Continued)*

##### **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; and
- (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 recognised as sales of goods, as disclosed in note 3, when the goods approved by the local regulatory are delivered and titles have passed.

In making the judgement, 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 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**

Estimated allowance for doubtful debts are provided and assessed based on the directors' estimation of the recoverability of overdue trade debtors. In determining the allowance for trade receivables, the management considers the credit history of individual trade debtor, including default or delay in payments, settlement records and aging analysis of the trade receivables. When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. 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 2017 was HK\$18,104,896 (2016: HK\$7,523,472).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 December 2017

**5. REVENUE AND SEGMENT INFORMATION**

The Group is engaged in (1) Technical Sales and Distribution of Electronic Gaming Equipment; (2) Consultancy and Technical Services; (3) Repair Services and (4) sales of refurbished electronic gaming machines.

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 3. 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**

	2017 HK\$	2016 HK\$
Technical Sales and Distribution of Electronic Gaming Equipment	72,785,924	41,842,696
Consulting and Technical Services	6,761,257	8,644,766
Repair Services	2,164,594	2,088,772
Sales of refurbished electronic gaming machines	4,352,183	–
	<b>86,063,958</b>	52,576,234

**Information about major customers**

Revenue from customers individually contributing over 10% of the total sales of the Group of the corresponding years are as follows:

	2017 HK\$	2016 HK\$
Customer A	N/A <sup>#</sup>	12,645,066
Customer B	13,173,145	11,469,070
Customer C	24,347,480	10,870,445
Customer D	N/A <sup>#</sup>	7,106,570
Customer E	18,880,803	N/A <sup>#</sup>

<sup>#</sup> The corresponding revenue did not contribute over 10% of the Group's revenue.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 December 2017

**5. REVENUE AND SEGMENT INFORMATION** (Continued)**Geographical information**

The following table sets forth a breakdown of the Group's revenue during the year based on locations of the external customers:

	2017 HK\$	2016 HK\$
Macau SAR	79,311,118	52,576,234
Malaysia	6,752,840	–
	<b>86,063,958</b>	52,576,234

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

**6. OTHER INCOME, GAINS AND LOSSES**

	2017 HK\$	2016 HK\$
Administrative fee received from a related party	–	87,379
Bank interest income	89,089	1,178
Commission income	87,317	–
Gain on disposal of property and equipment	–	1,942
Net foreign exchange loss	(55,234)	(379,926)
Service handling income	286,274	1,081,664
Others	91,206	109,533
	<b>498,652</b>	901,770

**7. INCOME TAX EXPENSE**

	2017 HK\$	2016 HK\$
Current tax:		
Macau SAR Complementary Tax	2,630,695	1,883,016
Underprovision in prior years	–	13,405
	<b>2,630,695</b>	1,896,421

The Group is subject to Macau SAR Complementary Tax at a rate of 12% on the assessable income exceeding Macau Pataca ("MOP") MOP600,000 (equivalent to approximately HK\$583,000) for both years.

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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 December 2017

**7. INCOME TAX EXPENSE** (Continued)

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

	2017 HK\$	2016 HK\$
Profit before tax	7,122,981	11,458,702
Tax at the income tax rate of 12%	854,758	1,375,044
Effect of income that is not taxable in determining taxable profits	(69,903)	(69,903)
Tax effect of expenses not deductible for tax purpose	1,845,840	577,875
Underprovision in prior years	–	13,405
Income tax expense for the year	2,630,695	1,896,421

**8. PROFIT FOR THE YEAR**

	2017 HK\$	2016 HK\$
Profit for the year has been arrived at after charging:		
Directors' remuneration	1,650,020	809,115
Other staff costs		
— salaries and allowances	7,996,410	5,472,484
— retirement benefits scheme contributions	28,417	18,379
	9,674,847	6,299,978
Auditor's remuneration	990,000	253,000
Depreciation of property and equipment	217,795	143,987
Write-off of inventories	–	88,306
Cost of inventories recognised as an expense	45,281,064	24,586,527
Minimum lease payment in respect of rental premises	817,156	472,544

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

### 9. EMOLUMENTS OF DIRECTORS, CHIEF EXECUTIVE AND EMPLOYEES

#### (a) Directors and Chief Executive

Directors' and chief executive's remuneration for the year, disclosed pursuant to the GEM Rules and disclosure requirement of the CO, is as follows:

#### For the year ended 31 December 2017

	Independent non-executive directors			Executive directors		Total HK\$
	Mr. Choi HK\$ (Note c)	Mr. Ho HK\$ (Note c)	Mr. Ma HK\$ (Note c)	Mr. Ng HK\$ (Note b)	Mr. Huie HK\$ (Note a)	
Directors' fee	20,000	20,000	20,000	-	-	60,000
Salaries and allowances	-	-	-	1,023,777	129,350	1,153,127
Performance related bonus (Note d)	-	-	-	436,893	-	436,893
	20,000	20,000	20,000	1,460,670	129,350	1,650,020

#### For the year ended 31 December 2016

	Independent non-executive directors			Executive directors		Total HK\$
	Mr. Choi HK\$ (Note c)	Mr. Ho HK\$ (Note c)	Mr. Ma HK\$ (Note c)	Mr. Ng HK\$ (Note b)	Mr. Huie HK\$ (Note a)	
Directors' fee	-	-	-	-	-	-
Salaries and allowances	-	-	-	669,612	-	669,612
Performance related bonus (Note d)	-	-	-	139,503	-	139,503
	-	-	-	809,115	-	809,115

Notes:

- Mr. Huie was appointed as an executive director and chairman of the Company with effect from 15 March 2017. His emoluments disclosed above include those for services rendered by him as the chairman.
- Mr. Ng was appointed as an executive director and chief executive officer of the Company with effect from 15 March 2017. His emoluments disclosed above include those for services rendered by him as the chief executive officer. Before appointing as the executive director and chief executive officer of the Company, Mr. Ng received remuneration from subsidiaries now comprising the Group for his appointment as directors or officers of these subsidiaries.
- Mr. Choi Kwok Wai ("Mr. Choi"), Mr. Ho Kevin King Lun ("Mr. Ho") and Mr. Ma Chi Seng ("Mr. Ma") were appointed as independent non-executive directors with effect from 25 October 2017.
- The discretionary bonus is determined by reference to the duties and responsibilities of Mr. Ng and Mr. Huie and the Group's performance.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 December 2017

**9. EMOLUMENTS OF DIRECTORS, CHIEF EXECUTIVE AND EMPLOYEES** (Continued)**(b) Employees**

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

The five highest paid individuals for the year ended 31 December 2017 included one director (2016: one), details of whose emoluments are set out in note 9(a) above. The emoluments of the remaining four individuals for the year ended 31 December 2017 (2016: four) were as follows:

	2017 HK\$	2016 HK\$
Salaries and allowances	2,410,585	1,441,032
Performance related bonus	575,454	259,095
Retirement benefit scheme contributions	1,049	1,049
	<b>2,987,088</b>	<b>1,701,176</b>

The number of the highest paid individuals fell within the following band:

	Number of employees	
	2017	2016
Nil to HK\$1,000,000	4	4

During the year, no emolument was paid by the Group to the director or any of the five highest paid individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

**10. DIVIDENDS**

During the year ended 31 December 2017, interim dividend of an aggregate amount of HK\$6,500,000 (2016: HK\$12,495,146) have been declared and paid by APE BVI to its shareholders. No dividend has been proposed since the end of the reporting period.

**11. EARNINGS PER SHARE**

The Company was listed on GEM of the Stock Exchange on 15 November 2017 by way of share offer of 250,000,000 new shares and capitalisations of 749,997,500 shares, resulting in 1,000,000,000 ordinary shares in issue. The calculation of the basic earnings per share for each of the years ended 31 December 2016 and 2017 is based on the following data:

	2017 HK\$	2016 HK\$
Earnings		
Earnings for the purpose of calculating basic earnings per share (profit for the year attributable to the owners of the Company)	<b>4,492,286</b>	9,562,281

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

### 11. EARNINGS PER SHARE (Continued)

	2017 '000	2016 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	<b>782,192</b>	750,000

The number of ordinary shares for the purpose of calculating basic earnings per share has been retrospectively adjusted for the capitalisation issue of the shares of the Company completed on 15 November 2017 and assuming the reorganisation had been effective on 1 January 2016.

No diluted earnings per share for the year was presented as there were no potential ordinary shares in issue that during both years.

### 12. PROPERTY AND EQUIPMENT

	Leasehold improvement HK\$	Furniture, fixtures and equipment HK\$	Electrical equipment HK\$	Computers HK\$	Motor vehicles HK\$	Total HK\$
COST						
At 1 January 2016	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	–	–	47,567	83,825	320,000	451,392
At 31 December 2017	236,307	119,504	193,995	544,343	488,000	1,582,149
DEPRECIATION						
At 1 January 2016	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 year	11,898	9,073	25,146	74,078	97,600	217,795
At 31 December 2017	235,255	101,856	123,601	385,047	117,200	962,959
CARRYING VALUES						
At 31 December 2017	1,052	17,648	70,394	159,296	370,800	619,190
At 31 December 2016	12,950	26,721	47,973	149,549	148,400	385,593

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 December 2017

**13. INVENTORIES**

	2017 HK\$	2016 HK\$
Spare parts	779,948	284,554
Finished goods	677,117	–
	<b>1,457,065</b>	284,554

**14. TRADE AND OTHER RECEIVABLES**

	2017 HK\$	2016 HK\$
Trade receivables	18,104,896	7,523,472
Purchase and trial products deposits	3,183,188	1,127,076
Prepayment and deposits	628,012	187,606
Other receivables	61,167	926,898
Prepaid listing expenses	–	1,479,950
	<b>21,977,263</b>	11,245,002

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

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

	2017 HK\$	2016 HK\$
0–30 days	16,865,804	3,090,439
31–60 days	433,931	1,687,798
61–90 days	5,088	2,743,949
Over 90 days (Note)	800,073	1,286
	<b>18,104,896</b>	7,523,472

Note: For an amount of approximately HK\$780,000 included in this category as at 31 December 2017, the Group has re-negotiated the credit terms with the customer and the amount will be settled in 5 instalments with the last instalment to be settled by 31 December 2018. As of the date of this report, the customer has settled the outstanding balance in accordance to the repayment schedule.

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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 December 2017

**14. TRADE AND OTHER RECEIVABLES** (Continued)

Included in the Group's trade receivables balance are debtors as at 31 December 2017 with an aggregate carrying amount of HK\$615,403 (2016: HK\$4,433,033) which are past due at the end of the 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.

Aging of trade receivables which are past due but not impaired:

	2017 HK\$	2016 HK\$
Overdue by:		
Within 30 days	589,853	900,922
31–60 days	5,088	3,530,825
61–90 days	–	1,286
Over 90 days	20,462	–
	<b>615,403</b>	<b>4,433,033</b>

**15. FIXED BANK DEPOSIT**

As at 31 December 2017, fixed bank deposit carries interest rate at 0.19% per annum (2016: 1.10% per annum) with the original maturity over 3 months.

**16. BANK BALANCES AND CASH**

Bank balances carry interest at prevailing market rates at 0.01% per annum as at 31 December 2017 (2016: 0.01% per annum).

**17. TRADE AND OTHER PAYABLES**

	2017 HK\$	2016 HK\$
Trade payables	13,416,801	7,873,294
Receipts in advance	–	1,500,248
Payables for listing expenses	807,806	750,749
Accrued staff costs	2,608,589	–
Other payables and accrued expenses	1,714,968	362,145
	<b>18,548,164</b>	<b>10,486,436</b>

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:

	2017 HK\$	2016 HK\$
0–30 days	9,893,195	1,174,225
31–90 days	1,141,113	3,858,096
Over 90 days	2,382,493	2,840,973
	<b>13,416,801</b>	<b>7,873,294</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

### 18. AMOUNTS DUE TO SHAREHOLDERS

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 to shareholders are as follows:

	2017 HK\$	2016 HK\$
Mr. Ng	–	25,208
Mr. Huie	–	971
	–	26,179

### 19. AMOUNTS DUE TO RELATED PARTIES

As at 31 December 2016, amounts due to related parties represents the payable to Tai Pong Fat Construction and Investment Company (“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 CO are as follows:

	Relationship	2017 HK\$	2016 HK\$
Tai Pong Fat (Note a)	Mr. Ng, one of the Controlling Entity Holders, has significant influence over Tai Pong Fat	–	8,544
Kuawai (Note b)	Kuawai is an entity owned by two relatives of a key management personnel of APE Macau	–	1,651,573
		–	1,660,117

Notes:

- (a) Amount represents the payable for rental and other expenses.
- (b) Amount represents the trade payable for repair services and purchase of spare parts.

The credit period on trade payable 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:

	2017 HK\$	2016 HK\$
0–30 days	–	159,478
31–90 days	–	41,496
Over 90 days	–	1,450,599
	–	1,651,573

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

### 20. SHARE CAPITAL

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

	Par value HK\$	Number of shares	Share capital HK\$
Ordinary shares			
Authorised:			
— On date of incorporation on 22 February 2017	0.01	1,000,000	10,000
— Increase on 25 October 2017 (note ii)	0.01	9,999,000,000	99,990,000
As at 31 December 2017	0.01	10,000,000,000	100,000,000
Issued:			
— 1 share allotted and issued at par on the date of incorporation	0.01	1	—
— Issue of shares (note i)	0.01	2,499	25
— Capitalisation issue (note iii)	0.01	749,997,500	7,499,975
— Issuance of ordinary shares upon listing (note iv)	0.01	250,000,000	2,500,000
At 31 December 2017	0.01	1,000,000,000	10,000,000

Notes:

- 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 Kam Pui ("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.
- Pursuant to the written resolutions of the shareholders of the Company passed on 25 October 2017, the authorised share capital of the Company was increased from HK\$10,000 divided into 1,000,000 shares of a par value of HK\$0.01 each to HK\$100,000,000 divided into 10,000,000,000 shares of a par value of HK\$0.01 each by the creation of an additional 9,999,000,000 shares.
- On 15 November 2017, the Company capitalised a sum of HK\$7,499,975 standing to the credit of the share premium account of the Company and appropriated 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 appeared on the register of members of the Company immediately before the listing of the shares of the Company on GEM of the Stock Exchange.
- On 15 November 2017, the Company issued a total of 250,000,000 ordinary shares of a par value of HK\$0.01 each pursuant to the global offering at the price of HK\$0.28 per share and the Company's shares were listed on GEM of the Stock Exchange on 15 November 2017.

The newly issued shares rank pari passu in all respects with the existing shares.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 December 2017

**21. 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 from prior year.

The capital structure of the Group consists of cash and cash equivalents, fixed bank deposit and equity attributable to owners of the Company, comprising issued share capital and reserves including accumulated profits.

The directors of the Group review the capital structure from time to time. As a part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends and the issue of new shares.

**22. FINANCIAL INSTRUMENTS****a. Categories of financial instruments**

	2017 HK\$	2016 HK\$
<b>Financial assets</b>		
Loan and receivables (including cash and cash equivalents)	<b>85,284,454</b>	24,271,813
<b>Financial liabilities</b>		
Amortised cost	<b>14,897,634</b>	10,672,484

**b. Financial risk management objectives and policies**

The Group's major financial instruments include trade and other receivables, fixed bank deposit, bank balances and cash, trade and other payables, amounts due to shareholders and amounts due to related parties. 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% per annum (2016: 0.1% per annum).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

### 22. FINANCIAL INSTRUMENTS (Continued)

#### b. Financial risk management objectives and policies (Continued)

##### Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Weighted average effective interest rate %	Repayable on demand HK\$	Within 3 months HK\$	Total undiscounted cash flows HK\$	Carrying amount HK\$
<b>At 31 December 2017</b>					
<b>Non-derivative financial liabilities</b>					
Trade payables	–	3,523,606	9,893,195	13,416,801	13,416,801
Other payables and accruals	–	618,392	862,441	1,480,833	1,480,833
	–	4,141,998	10,755,636	14,897,634	14,897,634
<b>At 31 December 2016</b>					
<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
		8,225,887	2,446,597	10,672,484	10,672,484

##### 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 recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position. The Group's credit risk is primarily attributable to its trade receivables. 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 directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has concentration of credit risk as 22% of the Group's trade receivables as at 31 December 2017 (2016: 27%) are due from the Group's largest customer where the balances are mainly generated from the sales of electronic gaming 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 December 2017

**22. FINANCIAL INSTRUMENTS** (Continued)**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 recognised in the consolidated financial statements approximate their fair values.

**23. 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.

**24. 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:

	2017 HK\$	2016 HK\$
Within one year	1,172,159	92,792
In the two to five years	4,214,634	–
	<b>5,386,793</b>	92,792

Operating lease payments represent rentals payable by the Group for certain of its offices and car parks. Leases are negotiated for average term of five years (2016: two years) which are non-cancellable and rentals are fixed throughout the lease period.

**25. CAPITAL COMMITMENT**

	2017 HK\$	2016 HK\$
Capital expenditure in respect of the leasehold improvement of the new office contracted for but not provided in the consolidated financial statements	4,067,961	–

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 December 2017

**26. RELATED PARTY TRANSACTIONS**

Apart from details of the balances with related parties disclosed in the consolidated statement of financial position and other details disclosed elsewhere in the consolidated financial statements, the Group also entered into the following significant transactions with related parties during the reporting period:

Name of related company	Nature of transaction	2017 HK\$	2016 HK\$
Tai Pong Fat (Note a)	Rental expense	164,272	165,250
	Other expenses	–	8,544
Kuawai (Note b)	Outsourcing fees on repair services to the Group	1,221,807	1,789,462
	Purchase of spare parts	117,520	778,104
	Administrative fee received	–	87,379
	Sales of spare parts	–	98,784

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 year is set out in note 9.

**27. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES**

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Dividends payables HK\$	Amounts due to shareholders HK\$
At 1 January 2016	–	–
Financing cash flows	(6,000,000)	–
Dividend recognised as distribution	12,495,146	–
Non-cash change: Offsetting against current accounts	(6,495,146)	26,179
At 1 January 2017	–	26,179
Financing cash flows	(6,500,000)	(26,179)
Dividend recognised as distribution	6,500,000	–
At 31 December 2017	–	–

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 December 2017

**28. PARTICULARS OF SUBSIDIARIES**

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

Name of subsidiaries	Place and date of incorporation/ establishment	Issued fully and paid capital/ registered capital	Shareholding/equity interest attributable to the Company		Principal activities
			2017	2016	
<b>Directly held:</b>					
Asia Pioneer Entertainment, Ltd.	British Virgin Islands 14 November 2005	US\$75,000	100%	100%	Investment holding
APE Special 1 Limited	British Virgin Islands 28 November 2016	US\$1	100%	100%	Investment holding
APE Special 2 Limited	British Virgin Islands 28 November 2016	US\$1	100%	100%	Investment holding
<b>Indirectly held:</b>					
Asia Pioneer Entertainment Limited	Macau SAR 24 May 2006	MOP1,000,000	100%	99.8%	Technical sales and distribution, consulting and repair services of gaming machines

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 December 2017

**29. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY**

	At 31 December 2017 HK\$
NON-CURRENT ASSET	
Investments in subsidiaries	6,553,653
CURRENT ASSETS	
Other receivables	233,171
Bank balances and cash	59,783,135
	60,016,306
CURRENT LIABILITIES	
Trade and other payables	1,117,848
Amount due to a subsidiary	14,597,887
	15,715,735
NET CURRENT ASSETS	44,300,571
NET ASSETS	50,854,224
CAPITAL AND RESERVES	
Share capital	10,000,000
Reserves	40,854,224
	50,854,224

Movement in the Company's reserves is as follows:

	Share premium HK\$	Accumulated loss HK\$	Total HK\$
At date of incorporation on 22 February 2017	–	–	–
Loss and total comprehensive expense for the period	–	(14,244,612)	(14,244,612)
Share swap upon reorganisation ( <i>Note 20(ii)</i> )	6,553,628	–	6,553,628
Capitalisation issue ( <i>Note 20 (iii)</i> )	(7,499,975)	–	(7,499,975)
Issuance of ordinary shares upon listing	67,500,000	–	67,500,000
Expenses incurred in connection with the issuance of ordinary shares	(11,454,817)	–	(11,454,817)
At 31 December 2017	55,098,836	(14,244,612)	40,854,224