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PARADISE ENTERTAINMENT LIMITED

滙彩控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1180)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

The Board announces the audited consolidated annual results of the Group for the year ended 31 December 2017 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2017

	Notes	2017 HK\$'000	2016 HK\$'000
Revenue	4	1,011,844	1,163,347
Cost of sales and services		<u>(605,978)</u>	<u>(709,592)</u>
Gross profit		405,866	453,755
Other income, gains and losses	6	21,510	5,482
Marketing, selling and distribution costs		(214,490)	(205,507)
Operating and administrative expenses		(241,534)	(232,509)
Amortisation of intangible assets		(12,137)	(27,348)
Loss arising from assignment of intangible assets		—	(334,765)
Finance costs	7	<u>(5,987)</u>	<u>(10,856)</u>
Loss before taxation	8	(46,772)	(351,748)
Taxation	9	<u>(680)</u>	<u>(3,394)</u>
Loss for the year		<u><u>(47,452)</u></u>	<u><u>(355,142)</u></u>
(Loss)/profit for the year attributable to:			
— Owners of the Company		(30,698)	(380,380)
— Non-controlling interests		<u>(16,754)</u>	<u>25,238</u>
		<u><u>(47,452)</u></u>	<u><u>(355,142)</u></u>
Loss per Share:	11		
— Basic		<u>HK(2.9) cents</u>	<u>HK(36.1) cents</u>
— Diluted		<u>HK(2.9) cents</u>	<u>HK(36.1) cents</u>

* For identification purposes only

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Loss for the year	(47,452)	(355,142)
Other comprehensive income (expense):		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of foreign operations	847	(154)
Fair value gain on available-for-sale investment in equity securities	<u>1,591</u>	<u>—</u>
Other comprehensive income (expense) for the year	<u>2,438</u>	<u>(154)</u>
Total comprehensive expense for the year	<u>(45,014)</u>	<u>(355,296)</u>
Total comprehensive (expense) income for the year attributable to:		
— Owners of the Company	(28,548)	(380,535)
— Non-controlling interests	<u>(16,466)</u>	<u>25,239</u>
	<u>(45,014)</u>	<u>(355,296)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	<i>Notes</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		134,920	163,380
Intangible assets	<i>12</i>	93,057	105,194
Interests in an associate		—	—
Available-for-sale investment in equity securities		2,706	1,115
Finance lease receivables		—	18,274
Other assets		15,650	13,001
		246,333	300,964
Current assets			
Inventories		62,675	70,577
Trade and other receivables	<i>13</i>	169,646	229,105
Finance lease receivables		11,393	—
Amount due from a related company		583	7,114
Bank balances and cash		250,848	307,754
		495,145	614,550
Current liabilities			
Trade and other payables	<i>14</i>	148,882	189,246
Amounts due to Directors		2,973	3,709
Taxation payable		11,868	11,777
Promissory note	<i>15</i>	—	88,013
		163,723	292,745
Net current assets		331,422	321,805
Total assets less current liabilities		577,755	622,769
Capital and reserves			
Share capital	<i>16</i>	1,052	1,052
Reserves		525,599	554,147
Equity attributable to owners of the Company		526,651	555,199
Non-controlling interests		51,104	67,570
		577,755	622,769

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its Shares are listed on the Main Board of the Stock Exchange. Its ultimate holding company is August Profit Investments Limited, a company established in the British Virgin Islands. In the opinion of the Directors, the Company's ultimate controlling party is Mr. Jay Chun, who is also an executive Director. The address of the registered office of the Company is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and principal place of business of the Company is Unit C, 19/F., Entertainment Building, 30 Queen's Road Central, Hong Kong.

The Company is an investment holding company. The principal activities of the Group are provision of casino management services, and development, sale and leasing of electronic gaming equipment and systems.

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Listing Rules and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for available-for-sale investment in equity securities that is measured at fair value at the end of each reporting period.

The consolidated financial statements are presented in HK\$, which is also the functional currency of the Company.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by HKICPA for the first time in the current year:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle

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

Amendments to HKAS 7 Disclosure Initiative

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

New and revised HKFRSs in issue but not yet effective

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

HKFRS 9	Financial Instruments ¹
HKFRS 15	Revenue from Contracts with Customers and the related Amendments ¹
HKFRS 16	Leases ²
HKFRS 17	Insurance Contracts ⁴
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration ¹
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments ²
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions ¹
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts ¹
Amendments to HKFRS 9	Prepayment Features with Negative Compensation ²
Amendments to HKFRS 10 and and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle ¹
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures ²
Amendments to HKAS 40	Transfers of Investment Property ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle ²

¹ Effective for annual periods beginning on or after 1 January 2018.

² Effective for annual periods beginning on or after 1 January 2019.

³ Effective for annual periods beginning on or after a date to be determined.

⁴ Effective for annual periods beginning on or after 1 January 2021.

4. REVENUE

An analysis of the Group's revenue is as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Casino management services:		
Provision of casino management services	973,959	967,826
Electronic gaming equipment and systems:		
Sale of electronic gaming equipment and systems	22,792	185,733
Leasing of electronic gaming equipment and systems	12,203	9,788
Royalty income	<u>2,890</u>	<u>—</u>
	<u>37,885</u>	<u>195,521</u>
	<u>1,011,844</u>	<u>1,163,347</u>

5. SEGMENT INFORMATION

The executive Directors have been identified as the chief operating decision makers (the “CODM”). The executive Directors review the business with the following reportable and operating segments:

Casino management services	—	Provision of casino management services in Macau
Gaming systems	—	Development, sale and leasing of electronic gaming equipment and systems

The Group monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment results represent the operating profit or loss earned by each segment without allocation of corporate income and expenses, finance costs and income tax expenses. This is the measure reported to the executive Directors for the purpose of resource allocation and assessment of segment performance.

Information regarding the above segments is reported below:

Segment revenue and results:

For the year ended 31 December 2017

	Casino management services <i>HK\$'000</i>	Gaming systems <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment revenue	<u>973,959</u>	<u>37,885</u>		<u>1,011,844</u>
Segment results	<u>76,481</u>	<u>(80,307)</u>		(3,826)
Unallocated corporate income				386
Unallocated corporate expenses				(37,345)
Finance costs				<u>(5,987)</u>
Loss before taxation				(46,772)
Taxation				<u>(680)</u>
Loss for the year				<u>(47,452)</u>
Other information				
Capital expenditure	15,518	6,859	2,755	25,132
Amortisation of intangible assets	12,137	—	—	12,137
Depreciation of property, plant and equipment	50,836	5,682	637	57,155
Allowance for doubtful debts	—	6,700	—	6,700
Write-down of inventories	<u>—</u>	<u>9,825</u>	<u>—</u>	<u>9,825</u>

For the year ended 31 December 2016

	Casino management services <i>HK\$'000</i>	Gaming systems <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment revenue	<u>967,826</u>	<u>195,521</u>		<u>1,163,347</u>
Segment results	<u>(24,606)</u>	<u>(287,676)</u>		(312,282)
Unallocated corporate income				289
Unallocated corporate expenses				(28,899)
Finance costs				<u>(10,856)</u>
Loss before taxation				(351,748)
Taxation				<u>(3,394)</u>
Loss for the year				<u>(355,142)</u>
Other information				
Capital expenditure	5,591	6,061	441	12,093
Amortisation of intangible assets	12,137	15,211	—	27,348
Depreciation of property, plant and equipment	71,104	1,790	655	73,549
Allowance for doubtful debts	—	875	—	875
Loss arising from assignment of intangible assets	<u>—</u>	<u>334,765</u>	<u>—</u>	<u>334,765</u>

During the year ended 31 December 2017, the Group reassessed the allocation basis of certain profit or loss items in each segment precisely and accordingly changed the measurement basis of operating profit or loss earned by each segment and reported to the CODM. Comparative figures of the segment information were reclassified to conform with the current year's presentation.

No analysis of the Group's assets and liabilities by operating and reportable segments and geographical information of segment results and segment assets are disclosed as they are not regularly provided to the CODM.

6. OTHER INCOME, GAINS AND LOSSES

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Bank interest income	2,915	2,668
Finance lease interest income	1,131	950
Loan interest income	<u>1,248</u>	<u>301</u>
	5,294	3,919
Gain (loss) on disposal of property, plant and equipment	4,762	(6,687)
Income from repair services	2,501	3,180
Rental income	4,757	3,325
Sundry income	<u>4,196</u>	<u>1,745</u>
	<u><u>21,510</u></u>	<u><u>5,482</u></u>

7. FINANCE COSTS

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Interest on obligations under finance leases	—	1
Imputed interest on promissory note (<i>note 15</i>)	<u>5,987</u>	<u>10,855</u>
	<u><u>5,987</u></u>	<u><u>10,856</u></u>

8. LOSS BEFORE TAXATION

2017
HK\$'000

2016
HK\$'000

Loss before taxation has been arrived at after charging:

Directors' emoluments	25,846	25,770
Other staff costs		
— Salaries and other benefits	142,167	140,162
— Retirement benefit scheme contributions	1,849	1,527
Total staff costs	169,862	167,459
Amortisation of intangible assets	12,137	27,348
Auditor's remuneration	2,380	1,110
Allowance for doubtful debts	6,700	875
Cost of inventories recognised as expenses	7,476	66,152
Depreciation of property, plant and equipment	57,155	73,549
Impairment loss of amount due from an associate	5	26
Loss arising from assignment of intangible assets (<i>note 12 (b)</i>)	—	334,765
Research and development costs recognised as an expense (<i>note</i>)	47,740	35,974
Write-down of inventories	9,825	—

Note: Research and development expenditure for the year ended 31 December 2017 of HK\$47,740,000 (2016: HK\$35,974,000) includes staff costs of HK\$27,566,000 (2016: HK\$20,693,000), depreciation expenses of HK\$987,000 (2016: HK\$872,000), operating lease expenses of HK\$2,187,000 (2016: HK\$1,968,000) and other expenses of HK\$17,000,000 (2016: HK\$12,441,000).

9. TAXATION

2017
HK\$'000

2016
HK\$'000

Current tax charge:

Macau Complementary Tax	—	2,000
Lump Sum Dividend Tax	378	331
PRC Enterprise Income Tax	197	26
Tax in other jurisdictions	105	6
	680	2,363
Underprovision in prior years:		
Macau Complementary Tax	—	1,031
	680	3,394

The provision for taxation is calculated on the assessable profit for operating subsidiaries established in Macau at the Macau Complementary Tax (“Macau CT”) rate of 12% prevailing in Macau, for operating subsidiaries established in the PRC at the PRC Enterprise Income Tax rate of 25% prevailing in the PRC. Taxation for overseas subsidiaries, except for those incorporated in Macau and the PRC, are charged at the appropriate current rate of taxation ruling in the relevant countries.

No provision for Hong Kong Profits Tax is made in the consolidated financial statements as the Group did not generate any assessable profit in Hong Kong for both years.

Pursuant to confirmation letters issued by the Financial Services Bureau of the Macau government dated 7 January 2015 and 15 August 2017, the revenue generated from the service agreement signed between LT (Macau) Limited (“LT Macau”), a wholly-owned subsidiary of the Company incorporated in Macau, and SJM is not subject to Macau CT for the years ended 31 December 2012 to 2016, and the years ended/ending 31 December 2017 to 2019 and the three months ending 31 March 2020, respectively, since it is derived from SJM’s gaming revenue, for which gaming revenue is exempted from Macau CT pursuant to the terms of no. 2 of article 28 of the Law 16/2001 and the exemption granted by Despatch no. 378/2011 of 23 November 2011.

Pursuant to an approval letter issued by the Financial Services Bureau of the Macau government dated 18 February 2015, LT Macau was obligated to pay an annual lump sum dividend withholding tax of MOP341,000 (equivalent to HK\$331,000) for each of the years ended 31 December 2012 to 2016 as payment in lieu of Macau CT otherwise due by the shareholders of LT Macau on dividend distributions from gaming profits generated in relation to the operation of the casinos at Casino Kam Pek Paradise, Casino Lisboa and Casino Macau Jockey Club. These annual lump sum tax payments were required regardless of whether dividends were actually distributed or whether LT Macau had distributable profits in the relevant years. Pursuant to an approval letter issued by the Financial Services Bureau of the Macau government dated 15 August 2017, LT Macau was obligated to pay an annual lump sum dividend withholding tax of MOP389,000 (equivalent to HK\$378,000) for each of the years ended/ending 31 December 2017 to 2019 and MOP97,000 (equivalent to HK\$94,000) for the three months ending 31 March 2020. For the year ended 31 December 2017, provision for taxation of HK\$378,000 (2016: HK\$331,000) has been recognised which was charged to the consolidated statement of profit or loss.

10. DIVIDEND

No dividend was paid, declared or proposed for the years ended 31 December 2017 and 31 December 2016.

11. LOSS PER SHARE

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

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Loss for the year attributable to owners of the Company for the purpose of basic and diluted loss per Share	<u>(30,698)</u>	<u>(380,380)</u>
Number of Shares		
	2017 <i>'000</i>	2016 <i>'000</i>
Weighted average number of ordinary shares for the purpose of basic and diluted loss per Share	<u>1,052,185</u>	<u>1,052,244</u>

For the years ended 31 December 2017 and 31 December 2016, the diluted loss per Share was the same as the basic loss per Share as the computation of the diluted loss per Share does not assume the exercise of the Company's warrants because the assumed exercise would result in a decrease in loss per Share.

12. INTANGIBLE ASSETS

	Macau Patent- Betting terminal system	US Patent- Betting terminal system	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(note a)</i>	<i>(note b)</i>	
COST			
At 1 January 2016,			
31 December 2016 and			
31 December 2017	<u>182,066</u>	<u>657,535</u>	<u>839,601</u>
ACCUMULATED AMORTISATION AND IMPAIRMENT			
At 1 January 2016	64,735	206,549	271,284
Provided for the year	12,137	15,211	27,348
Written down	<u>—</u>	<u>435,775</u>	<u>435,775</u>
At 31 December 2016	76,872	657,535	734,407
Provided for the year	<u>12,137</u>	<u>—</u>	<u>12,137</u>
At 31 December 2017	<u>89,009</u>	<u>657,535</u>	<u>746,544</u>
CARRYING AMOUNTS			
At 31 December 2017	<u>93,057</u>	<u>—</u>	<u>93,057</u>
At 31 December 2016	<u>105,194</u>	<u>—</u>	<u>105,194</u>

Notes:

- (a) The patent pertains to a computerised gaming system (the “Gaming System”) for operating multi-gambling games. The Gaming System was installed on the electronic gaming equipment which operates at Casino Kam Pek Paradise, Casino Waldo and other casinos in Macau. The Group generates revenue from the provision of casino management services with the Gaming System installed on the electronic gaming equipment, and the sale and leasing of electronic gaming equipment installed with the Gaming System in Macau. The patent is amortised over its useful life of 15 years using the straight line method.

At the end of the reporting period, the Group assessed for impairment by considering the recoverable amount of the patent as well as certain property, plant and equipment, allocated to the single cash-generating unit comprising the patent for the Gaming System for operating multi-gambling games in Macau (the “Macau Patent CGU”), having regard to the market conditions in Macau. The recoverable amount of the Macau Patent CGU is the value in use of the Macau Patent CGU based on the present value of estimated future cash flows to be generated over the remaining license period and with reference to the valuation report prepared by an independent professional valuer, International Valuation Limited, which was approved by the Directors. The valuation of intangible asset and property, plant and equipment in relation to patent is assessed by comparing the

recoverable amount of the Macau Patent CGU to their carrying amounts at the end of each reporting period. No impairment loss was recognised on the intangible asset allocated to the Macau Patent CGU for the years ended 31 December 2017 and 31 December 2016.

Key assumptions adopted by management in the value in use calculation for the recoverable amount of the Macau Patent CGU are as follows:

- Growth rates ranging from 2.50% to 2.70% (2016: ranging from 2.50% to 5.54%) per annum are applied in the profit or loss projection for the remaining license period.
 - Pre-tax discount rate of 15.10% (2016: 19.10%) is adopted based on the analysis performed by an independent professional valuer which reflects current market assessments of the time value of money and the risks specific to the Macau Patent CGU.
- (b) The amount represented various patents and patent applications in the U.S. relating to the Gaming System installed on the gaming equipment which are sold and leased in the U.S.. The patents were amortised over its useful life of 12 years using the straight line method.

On 25 April 2016, the subsidiaries of the Company, namely Fresh Idea Global Limited, Solution Champion Limited and LT Game, entered into a patent and technology assignment and license agreement for granting exclusive rights to make, have made, use, sell, offer for sale, import, license/sub-license, and otherwise exploit any live electronic table game or random number generator electronic table game, mobile or online gaming application or associated system (the “Licensed Products”) worldwide (other than Macau) to IGT, an independent third party. The agreement involves the assignment and license of the certain patents and associated technology in relation to the Licensed Products (the “Exclusive Rights”) to IGT. A one-time, non-refundable and non-creditable upfront payment of US\$12,950,000 (equivalent to approximately HK\$101,010,000, the “Upfront Payment”) was paid by IGT for the grant of the Exclusive Rights. After the assignment of the patent, the Group is entitled to receive earn-out payments according to the agreement for the placements (by way of sale or lease) of the Licensed Products based upon a flat fee per sold unit or a flat fee per leased unit per day for a period of 15 years.

During the year ended 31 December 2016, the Directors reassessed the recoverable amount for the patents and determined that the amount was fully written down as at 31 December 2016 due to the uncertainty of any future income. As a result, a loss arising from assignment of the intangible assets of HK\$334,765,000 was recognised in profit or loss, after taking into account the Upfront Payment received, in that year. No reversal of the write-down has been recognised for the year ended 31 December 2017.

13. TRADE AND OTHER RECEIVABLES

	2017 HK\$'000	2016 HK\$'000
Trade receivables (<i>note i</i>)	65,545	94,078
Less: allowance for doubtful debts	<u>(287)</u>	<u>(287)</u>
	65,258	93,791
Chips on hand (<i>note ii</i>)	33,607	63,009
Deposits paid	42,198	39,977
Loan receivable (<i>note iii</i>)	15,600	15,600
Other receivables and prepayments (<i>note iii</i>)	<u>12,983</u>	<u>16,728</u>
	<u>169,646</u>	<u>229,105</u>

Notes:

- (i) At the end of the reporting period, trade receivables comprise amounts receivable from the gaming operators for the Group's provision of casino management services and customers for the Group's sale and leasing of electronic gaming equipment and systems. No interest is charged on the trade receivables.

Before accepting any new customer, the Group gathers and assesses the credit information of the potential customer in considering the customer's quality and determining the credit limits for that customer. Recoverability and credit limit of the existing customers are reviewed by the Group regularly. At the end of the reporting period, included in the Group's trade receivable balances are receivables with aggregate carrying amount of HK\$62,070,000 (2016: HK\$69,468,000), which are neither past due nor impaired. The Directors considered that trade receivables which are neither past due nor impaired are of good credit quality given the continuous subsequent settlements from gaming operators and other customers.

The Group normally allows a credit period with an average of 30 days to the gaming operators and customers.

Following is the aged analysis of trade receivables (net of allowance) based on the date of monthly statements of service income or invoice date at the end of the reporting period:

	2017 HK\$'000	2016 HK\$'000
Age:		
0–30 days	62,076	66,902
31–60 days	1,043	248
61–90 days	390	161
91–180 days	830	239
181–365 days	324	8,630
Over 365 days	<u>595</u>	<u>17,611</u>
	<u>65,258</u>	<u>93,791</u>

Movement in the allowance for doubtful debts

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
At 1 January	287	287
Allowance for doubtful debts	—	875
Written-off	—	(875)
	<hr/>	<hr/>
At 31 December	<u>287</u>	<u>287</u>

Allowance for doubtful debts with an aggregate balance of HK\$287,000 (2016: HK\$287,000) represents individually impaired trade receivables as the Directors considered the outstanding balances from the receivables were uncollectible.

- (ii) Chips on hand represent chips issued by gaming operators in Macau which can be exchanged into their cash amounts.
- (iii) Pursuant to a loan agreement (the “Loan Agreement”) dated 5 October 2016, LT View Limited, a wholly-owned subsidiary of the Company incorporated in the British Virgin Islands, agreed to grant a loan to LT Game Japan Limited (“LT Japan”), a company which is incorporated in Japan and is principally engaged in the development and manufacture of gaming products, in the principal amount of US\$2,000,000 (equivalent to HK\$15,600,000) with interest charged at the rate of 8% per annum. The total outstanding principal amount and accrued interests was to be repayable on the maturity date of 5 October 2017. The loan is unsecured and guaranteed by Mr. Pak Suil, who holds an 18% shareholding in, and is a director of, LT Game, an indirect subsidiary of the Company incorporated in the British Virgin Islands. Pursuant to an amendment to the Loan Agreement dated 4 October 2017, the maturity date was extended to 5 April 2018.

On 5 October 2016, the Group held a 5.05% equity interest in LT Japan and 35.16% equity interest was held by Mr. Pak Suil. Following the completion of a reorganisation of LT Japan on 30 December 2016, LT Japan became a wholly-owned subsidiary of another corporate with the Group and Mr. Pak Suil holding an equity interest of 0.83% and 5.76% of that corporate, respectively.

At 31 December 2017, HK\$1,549,000 (2016: HK\$301,000) was included in other receivables and prepayments in respect of the interest receivable pursuant to the Loan Agreement.

14. TRADE AND OTHER PAYABLES

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Trade payables	38,183	100,648
Accrued staff costs	28,610	27,501
Accrued promotional expenses	29,403	27,895
Deposits received	29,793	16,627
Other sundry payables	14,892	9,650
Other accrued expenses	8,001	6,925
	<hr/>	<hr/>
	<u>148,882</u>	<u>189,246</u>

Following is the aged analysis of trade payables at the end of the reporting period based on invoice date:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Age:		
0–30 days	10,711	39,601
31–60 days	4,893	9,138
61–90 days	3,104	4,441
91–365 days	14,334	8,437
Over 365 days	5,141	39,031
	38,183	100,648

The average credit period of trade payables is 30 days. No interest is charged on the trade payables.

15. PROMISSORY NOTE

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
At 1 January	88,013	77,158
Imputed interest charged (<i>note 7</i>)	5,987	10,855
Repayment during the year	(94,000)	—
At 31 December	—	88,013

On 19 June 2013, the Group issued a promissory note with a principal amount of HK\$200,000,000 to Mr. Jay Chun, the Chairman and an executive Director, as part of the consideration for the Group's acquisition of patents and patent applications in the U.S. in relation to the Gaming System (note 12(b)). The promissory note was unsecured, non-interest bearing and had a maturity period of 4 years from the date of issue but could be repaid in whole or in part before maturity at the discretion of the Company. Early redemption of the promissory note would be subject to a discount of the outstanding principal amount as follows: 4% within the first year, 3% within the second year, 2% within the third year and 1% within the fourth year. At 31 December 2017, the promissory note was fully repaid at maturity. As at 31 December 2016, the outstanding principal amount of the promissory note amounted to HK\$94,000,000.

The promissory note was measured at amortised cost using the effective interest method with the effective interest rate at 13.36% per annum.

16. SHARE CAPITAL

	Number of Shares ‘000	Share capital HK\$’000
Ordinary shares of HK\$0.001 each		
Authorised:		
At 1 January 2016, 31 December 2016 and 31 December 2017	<u><u>1,000,000,000</u></u>	<u><u>1,000,000</u></u>
Issued and fully paid:		
At 1 January 2016	1,053,621	1,053
Cancellation of shares repurchased	<u>(1,436)</u>	<u>(1)</u>
At 31 December 2016 and 31 December 2017	<u><u>1,052,185</u></u>	<u><u>1,052</u></u>

17. OPERATING LEASES

The Group as lessee

	2017 HK\$’000	2016 HK\$’000
Minimum operating lease rentals in respect of rented premises recognised during the year	<u><u>60,013</u></u>	<u><u>64,382</u></u>

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises, which fall due as follows:

	2017 HK\$’000	2016 HK\$’000
Within one year	41,666	42,565
In the second to fifth year inclusive	<u>33,942</u>	<u>60,674</u>
	<u><u>75,608</u></u>	<u><u>103,239</u></u>

Operating lease payments represents rentals payable by the Group for a director’s quarters, certain of its warehouse facilities and office premises. Leases of rented premises are negotiated for terms ranging from 1 to 5 (2016: 1 to 5) years.

18. CAPITAL COMMITMENTS

	2017 HK\$’000	2016 HK\$’000
Capital expenditure in respect of property, plant and equipment contracted for but not provided in the consolidated financial statements	<u><u>5,773</u></u>	<u><u>2,927</u></u>

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Financial Review

Overview of Results

Total reported revenue of the Group for the year ended 31 December 2017 was HK\$1,011.8 million, representing a decrease of 13.0% over that of HK\$1,163.3 million for the year ended 31 December 2016. An analysis of the revenue by properties/nature is as follows:

	2017 <i>HK\$ million</i>	2016 <i>HK\$ million</i>
Casinos under the Group's management:		
Casino Kam Pek Paradise [*]	681.8	672.9
Casino Waldo [*]	292.1	275.1
Casino Macau Jockey Club ^{**}	<u>—</u>	<u>19.8</u>
	<u>973.9</u>	<u>967.8</u>
Electronic gaming equipment and systems:		
Sale of electronic gaming equipment and systems	22.8	185.7
Leasing of electronic gaming equipment and systems [^]	12.2	9.8
Royalty payment from IGT	<u>2.9</u>	<u>—</u>
	<u>37.9</u>	<u>195.5</u>
Total reported revenue	<u><u>1,011.8</u></u>	<u><u>1,163.3</u></u>

*: *Being revenue generated from the casinos in which the Group provides casino management services*

#: *Since 1 January 2017, the Group has changed the provision of casino management services to revenue sharing from LMG terminals at Casino Macau Jockey Club and revenue from the casino in 2017 was included in leasing of electronic gaming equipment and systems*

^: *Leasing revenue for the year ended 31 December 2017 and 31 December 2016 did not include the intercompany revenue derived from the LMG machines deployed at casinos under the Group's management amounting to HK\$134.4 million (2016: HK\$141.4 million), which were included in the revenue of respective casinos under the Group's management in the above table*

The decrease in total reported revenue of the Group for the year ended 31 December 2017 when compared with that for the year ended 31 December 2016 was partly due to the change of the cooperation mode at Casino Macau Jockey Club. In view of the continuing operating loss from the Group's provision of casino management services at Casino Macau Jockey Club in prior years, the Group has successfully changed the contractual arrangement with Casino Macau Jockey Club from provision of casino management services to revenue sharing from LMG terminals since 1 January 2017. Under the new arrangement, although the Group does not record the full operating revenue from the casino, it is entitled to share revenue from the LMG terminals at the casino and will not bear any operating expenses of the casino, and hence will not incur loss from the casino. At the same time, there was a decrease in sale of electronic gaming equipment and systems in 2017 when compared with that in 2016 as more electronic gaming equipment and systems were sold in 2016 when there were a number of new flagship casinos opened in Macau.

Adjusted EBITDA for the year ended 31 December 2017 was HK\$22.8 million, representing a decrease of 76.6% over that of HK\$97.5 million for the year ended 31 December 2016. The following table reconciles Adjusted EBITDA to the loss for the year:

	2017 <i>HK\$ million</i>	2016 <i>HK\$ million</i>
Loss for the year	(47.5)	(355.1)
Adjustments for:		
Interest income	(5.3)	(3.9)
Finance costs	6.0	10.8
Income tax expense	0.7	3.4
Depreciation of property, plant and equipment	57.2	73.5
(Gain) loss on disposal of property, plant and equipment	(4.8)	6.7
Amortisation for intangible assets	12.1	27.3
Loss arising from assignment of intangible assets	—	334.8
Costs incurred or associated with corporate exercise and potential projects	4.4	—
Adjusted EBITDA	<u>22.8</u>	<u>97.5</u>

An analysis of Adjusted EBITDA by properties/nature is as follows:

	2017 <i>HK\$ million</i>	2016 <i>HK\$ million</i>
Casinos under the Group's management:		
Casino Kam Pek Paradise	154.1	131.4
Casino Waldo	(22.0)	(36.2)
Casino Macau Jockey Club	—	(22.1)
	<u>132.1</u>	<u>73.1</u>
Electronic gaming equipment and systems:		
Sale of electronic gaming equipment and systems	(35.2)	81.0
Leasing of electronic gaming equipment and systems	8.5	6.8
Research and development and other costs	(46.9)	(35.3)
ETG distribution from IGT	(3.3)	—
	<u>(76.9)</u>	<u>52.5</u>
Other expenses	<u>(32.4)</u>	<u>(28.1)</u>
Adjusted EBITDA	<u>22.8</u>	<u>97.5</u>

The Adjusted EBITDA from casinos under the Group's management was HK\$132.1 million, representing an increase of 80.7% over that of HK\$73.1 million for the year ended 31 December 2016. The increase was mainly due to the increase in total GGR of both Casino Kam Pek Paradise and Casino Waldo for the year ended 31 December 2017 when compared to that for the year ended 31 December 2016, respectively and the absence of loss of HK\$22.1 million incurred in Casino Macau Jockey Club for the year ended 31 December 2016 as a result of the change of provision of casino management services to revenue sharing from LMG terminals at Casino Macau Jockey Club since 1 January 2017.

The Adjusted EBITDA from the electronic gaming equipment and systems segment was a loss of HK\$76.9 million, as compared to a profit of HK\$52.5 million for the year ended 31 December 2016. The loss in current year was mainly due to the decrease in sale of electronic gaming equipment and systems in 2017 as compared with the record sale of the Group in 2016 when there were a number of new flagship casinos opened in Macau, and the increase in the Group's investment in research and development and other costs incurred on new/upgraded ETG machines, slot machines, casino management system, etc. so as to provide market with more diversified and upgraded products. There was also a loss of HK\$3.3 million from ETG distribution from IGT for the year ended 31 December 2017, including the earn-out royalty payments entitled by the Group from IGT under the Agreement for a sum of about HK\$2.9 million accrued up to 31 December 2017 which was offset by the agreed settlement sum of US\$800,000 (equivalent to HK\$6.2 million) payable by the Group to IGT, details of which are set out in the Company's announcement dated 14 December 2017.

The Group's loss for the year ended 31 December 2017 was HK\$47.5 million, as compared to the loss of HK\$355.1 million for the year ended 31 December 2016. The significant decrease in loss of the Group was mainly due to a one-off non-cash loss arising from assignment of intangible assets of HK\$334.8 million in relation to the assignment and license of the patents and associated technology to IGT in April 2016 recorded for the year ended 31 December 2016.

Provision of Casino Management Services

The following table sets forth operational data on the provision of casino management services by the Group for the years ended 31 December 2017 and 31 December 2016:

	2017			2016			
	Casino Kam Pek Paradise	Casino Waldo	Total	Casino Kam Pek Paradise	Casino Waldo	*Casino Macau Jockey Club	Total
Average no. of units							
Traditional gaming tables	38	25	63	37	26	—	63
LMG tables	10	5	15	10	4	4	18
LMG terminals	971	320	1,291	935	300	172	1,407
Slot machines	178	164	342	194	180	—	374

*: Since 1 January 2017, the Group has changed the provision of casino management services to revenue sharing from LMG terminals at Casino Macau Jockey Club

As at 31 December 2017, the Group had a total of 79 (31 December 2016: 81) gaming tables under management.

The following tables set out certain key operational data of mass gaming tables, LMG terminals and slot machines in the Group's two major casinos under management for the years ended 31 December 2017 and 31 December 2016:

		Casino Kam Pek			
		<u>Paradise</u>		<u>Casino Waldo</u>	
		2017	2016	2017	2016
Traditional gaming tables					
GGR	<i>(HK\$ million)</i>	703.7	654.7	391.3	382.6
Gaming tables	<i>(Average no. of tables)</i>	38	37	25	26
Net win/table/day	<i>(HK\$ thousand)</i>	50.7	48.3	42.9	40.2
LMG tables					
GGR	<i>(HK\$ million)</i>	498.0	511.8	113.0	95.1
Terminals	<i>(Average no. of terminals/tables)</i>	971/10	935/10	320/5	300/4
Net win/terminal/day	<i>(HK\$)</i>	1,405	1,496	967	866
Net win/LMG table/day	<i>(HK\$ thousand)</i>	136.4	139.8	61.9	65.0
Total gaming tables					
GGR	<i>(HK\$ million)</i>	1,201.7	1,166.5	504.3	477.7
Gaming tables	<i>(Average no. of tables)</i>	48	47	30	30
Net win/table/day	<i>(HK\$ thousand)</i>	68.6	67.8	46.1	43.5
Slot machines					
GGR	<i>(HK\$ million)</i>	48.0	70.7	8.8	6.3
Slot machines	<i>(Average no. of units)</i>	178	194	164	180
Net win/unit/day	<i>(HK\$)</i>	739	996	147	96
Total GGR	<i>(HK\$ million)</i>	<u>1,249.7</u>	<u>1,237.2</u>	<u>513.1</u>	<u>484.0</u>

For the year ended 31 December 2017, total GGR generated by Casino Kam Pek Paradise amounted to HK\$1,249.7 million, representing an increase of 1.0% over that of HK\$1,237.2 million for the year ended 31 December 2016. Total GGR generated by Casino Waldo for the year ended 31 December 2017 amounted to HK\$513.1 million, representing an increase of 6.0% over that of HK\$484.0 million for the year ended 31 December 2016.

For the year ended 31 December 2017, casinos under the Group's management generated a total revenue attributable to the Group of HK\$973.9 million, representing an increase of 0.6% over that of HK\$967.8 million for the year ended 31 December 2016. Breakdown of the revenue attributable to the Group for casinos under the Group's management for the years ended 31 December 2017 and 31 December 2016 is as follows:

	2017	2016
	<i>HK\$ million</i>	<i>HK\$ million</i>
Casino Kam Pek Paradise:		
Traditional gaming tables	387.0	360.1
LMG tables	273.9	281.5
Slot machines	20.9	31.3
	<u>681.8</u>	<u>672.9</u>
Casino Waldo:		
Traditional gaming tables	222.8	217.5
LMG tables	64.3	54.0
Slot machines	5.0	3.6
	<u>292.1</u>	<u>275.1</u>
Casino Macau Jockey Club:		
LMG tables	<u>—</u>	<u>19.8</u>
	<u>973.9</u>	<u>967.8</u>

Total revenue attributable to the Group generated from Casino Kam Pek Paradise and Casino Waldo increased by 1.3% from HK\$672.9 million in 2016 to HK\$681.8 million in 2017 and by 6.2% from HK\$275.1 million in 2016 to HK\$292.1 million in 2017, respectively.

Development, Sale and Leasing of Electronic Gaming Equipment and Systems

Sale of LMG terminals

For the year ended 31 December 2017, the Group deployed a total of 78 LMG terminals at 2 casinos in Macau, namely Wynn Macau and Legend Palace Casino at the Macau Fisherman's Wharf. For the year ended 31 December 2016, the Group deployed a total of 893 LMG terminals at 6 casinos in Macau, including Wynn Palace, The Parisian Macau, Galaxy Macau and Casino StarWorld, and 98 LMG terminals at 4 casinos in the overseas markets.

Subsequent to 31 December 2017, the Group deployed a total number of 217 LMG terminals at MGM Cotai upon its opening on 13 February 2018.

Leasing of LMG terminals

The following tables set out certain key operational data of LMG terminals (excluding those LMG terminals deployed at the casinos under the Group's management) and the related revenue shared by the Group for the years ended 31 December 2017 and 31 December 2016:

		2017	2016
GGR from LMG terminals	<i>(HK\$ million)</i>	51.6	42.7
No. of LMG terminals	<i>(Average no. of terminals)</i>	333	273
Net win/terminal/day	<i>(HK\$)</i>	425	427
Revenue sharing	<i>(HK\$ million)</i>	12.2	9.8

The average daily GGR per LMG terminal under leasing arrangement (excluding those LMG terminals deployed at the casinos under the Group's management) in 2017 was HK\$425 (2016: HK\$427).

On 14 February 2018, the Group added 97 LMG terminals in Casino Waldo, making a total number of 432 LMG terminals in Casino Waldo after taking into account the 335 LMG terminals in the casino as at 31 December 2017. In addition, on 15 February 2018, the Group entered into an agreement with a gaming service provider in Casino L' Arc Macau for deployment of 50 LMG terminals under revenue sharing arrangement to the casino for an initial term of 3 years, renewable for every 2 years thereafter.

ETG distribution from IGT

In April 2016, the Group entered into a strategic agreement with IGT, a global leader in electronic gaming machine industry. The Group assigned and licensed the Patents and associated technology to IGT to receive a non-refundable upfront payment of US\$12.95 million (approximately HK\$101.0 million) and a 15-year earn-out payment for every Live ETG or RNG ETG machine deployment in the global market (other than Macau).

According to the royalty statements provided by IGT to the Group, up to 31 December 2017, IGT has deployed a total of 147 LMG terminals including 48 LMG terminals for daily fee and 99 LMG terminals for sales in the U.S., contributing HK\$2.9 million revenue to the Group for the year ended 31 December 2017.

PROSPECTS

Macau gaming market has recovered from the third quarter of 2016 as evident by the positive growth in GGR since then. Macau gaming revenue for 2017 was MOP265.7 billion, representing an increase of 19.1% over that of 2016. Macau's total visitor arrivals for 2017 were 32.6 million, representing an increase of 5.4% over that for 2016. Gaming revenue has been steadily recovering after the policy and economy headwind hit Macau's gaming industry for more than 2 years. In addition, an improving economy and the opening of new gaming and non-gaming facilities have helped bring patrons back to Macau and shall attract new waves of patrons in the years ahead.

We believe and look forward to the sooner completion of infrastructure projects designed to enable easier travel to and from and within Macau, such as the Hong Kong-Zhuhai-Macao Bridge, the Macau Light Rapid Transit, together with the further improvement of border gates capacity on the Macau Peninsula, all of which will benefit Macau gaming industry in the long run, especially to the segment of mass market in which the Group principally focuses on.

The Group currently manages two satellite casinos in the Macau Peninsula. In 2017, the two casinos maintained stable growth in gaming revenue and provided stable and strong cash inflows to the Group. We will continue to review and improve the operating efficiency of the casinos under our management.

In December 2017, DICJ published the Technical Standards with the effective date of 1 January 2018. The Technical Standards define DETG's technical standards and requirements for the Macau gaming industry. The Technical Standards have provided a grace period for all those existing DETG machines to be updated to meet the new technical requirements. After 31 December 2019, DETG machines which do not fully comply with the Technical Standards should not be used or operated in Macau casinos. The Group, being the inventor, the patent-owner and the sole-supplier of DETG machines, is technically competent and in a position to provide ready-made services to provide support to casinos currently equipped with DETG machines and assist them in meeting the requirements of the Technical Standards. The publication of the Technical Standards has brought business opportunities to the Group and has accelerated the replacement cycle of those deployed DETG machines of the Group in Macau. The Group will continue to develop and launch new DETG machines and other electronic gaming equipment and systems such as slot machines, casino management system etc. to provide casinos with more diversified and upgraded products.

As for strategic alliance with IGT for ETG distribution overseas, the Group has been working closely with IGT on technology exchange and regulatory compliance on different gaming jurisdictions. The alliance with IGT has unlocked tremendous business development opportunity in the overseas market and this partnership will enable the Group to expand its global presence and create long-term sustainable business to us.

Looking ahead, the Group remains cautiously optimistic and will continue to expand its existing businesses. The Group will also develop its product lines further, catering not only to the Macau gaming market but the overseas gaming markets as well. The Group will continue to look for potential opportunities in Macau and elsewhere to expand its business to increase its market share in the gaming industry and to maximise returns to the Shareholders.

DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 December 2017 (2016: nil).

BOOK CLOSURE

To ascertain Shareholders' eligibility to attend and vote at the 2018 AGM to be held on 21 May 2018, the register of members will be closed from 16 May 2018 to 21 May 2018, both dates inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the 2018 AGM, all transfers of Shares accompanied by the relevant share certificates must be lodged with the Company's Share Registrars, Tricor Secretaries Limited, of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 15 May 2018.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's liquidity needs primarily comprise working capital including research and development expenditure, capital expenditure and repayment of borrowings. The Group has generally funded its operations from internal resources, debt and/or equity financing.

As at 31 December 2017, the consolidated net assets of the Group amounted to HK\$577.8 million, representing a decrease of HK\$45.0 million or 7.2% from HK\$622.8 million as at 31 December 2016. The decrease in consolidated net assets of the Group during the year ended 31 December 2017 was mainly due to the Group's loss of HK\$47.5 million for the year ended 31 December 2017.

Bank Balances and Cash, and Chips on Hand

As at 31 December 2017, the Group held bank balances and cash of HK\$250.8 million and chips on hand of HK\$33.6 million. Included in the bank balances and cash as at 31 December 2017 were fixed deposits of HK\$125.9 million placed at banks in Macau with maturities ranging from 1 to 3 months. The fixed deposits were denominated in HK\$ and US\$.

Borrowings and Gearing Ratio

As at 31 December 2017, other than the amounts due to Directors of HK\$3.0 million (2016: HK\$3.7 million) which were unsecured, interest-free and repayable on demand, the Group had no outstanding borrowing. At 31 December 2016, the Group also had outstanding unsecured, unguaranteed and non-interest bearing promissory note of HK\$88.0 million which was fully settled during the year ended 31 December 2017.

The Group's gearing ratio (expressed as a percentage of borrowings over net assets) as at 31 December 2017 was 0.5% (2016: 14.7%). The decrease in the Group's gearing ratio was mainly due to the settlement of the outstanding promissory note of principal amount of HK\$94.0 million at maturity during the year ended 31 December 2017.

As at 31 December 2017, the Group had net cash (being total of bank balances and cash less borrowings) and chips on hand of HK\$281.4 million (2016: HK\$279.0 million).

During the year ended 31 December 2017, the Group did not employ any financial instruments for hedging purposes.

SHARE PREMIUM REDUCTION

On 26 June 2017, the Shareholders at the special general meeting of the Company approved the reduction of the entire amount standing to the credit of the share premium account of the Company to nil with the credit arising therefrom to be entirely transferred to the contributed surplus account of the Company. Upon completion of the share premium reduction on 26 June 2017, the credit balance of the contributed surplus account of the Company was increased by HK\$927,197,000 to HK\$1,068,388,000.

The share premium reduction could give the Company greater flexibility to declare or pay dividends or to make distributions to the Shareholders in the future as and when the Board considers appropriate.

Further details of the share premium reduction are set out in the Company's announcements dated 15 May 2017 and 26 June 2017, and the Company's circular dated 1 June 2017.

UNLISTED WARRANTS

On 31 October 2016, the Company issued 50,000,000 unlisted warrants at the issue price of HK\$0.03 per warrant, which entitled the holder of each warrant to subscribe for one Share at an exercise price of HK\$1.40 (subject to adjustment) at any time during the one-year period commencing from 31 October 2016. Further details of the unlisted warrants were set out in the Company's announcements dated 22 September 2016, 26 September 2016, 6 October 2016 and 24 October 2016, and the Company's circular dated 6 October 2016.

No unlisted warrant was exercised to subscribe for Shares of the Company and the 50,000,000 unlisted warrants were expired in October 2017.

As at 31 December 2017, no convertible securities, options, warrants or similar rights issued or granted by the Company or any of its subsidiaries remained outstanding.

CAPITAL COMMITMENTS

Particulars of the Company's significant capital commitments as at 31 December 2017 are set out in note 18 to the consolidated financial statements.

FOREIGN EXCHANGE EXPOSURE

The majority of the Group's income and expenses and the Group's fixed deposits at banks are denominated in HK\$ (the Group's functional currency), MOP and US\$. HK\$ is linked to US\$ and the exchange rate between these two currencies has remained relatively stable over the past several years. MOP is pegged to HK\$, and in many cases the two currencies are used interchangeably in Macau. Due to the stable exchange rates between HK\$ and US\$ and between HK\$ and MOP, the Directors do not consider that any specific hedge for currency fluctuation is necessary.

CHARGES ON GROUP ASSETS

As at 31 December 2017, the Group did not have any assets pledged.

CONTINGENT LIABILITIES

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

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2017, the Group had approximately 1,190 employees, including approximately 720 gaming operation employees who were employed by SJM or Galaxy to work for the casinos under the Group's management. These gaming operation employees were paid by SJM or Galaxy and the Group reimbursed SJM or Galaxy in full for their salaries and other benefits.

The terms of employment of employees conform to normal commercial practice. The remuneration policy for the employees of the Group is principally set up by the Board and the management on the basis of the relevant employees' qualifications, competence, work performance, industry experience, relevant market trend and the Group's operating results etc. Discretionary bonuses are granted to employees based on merit and in accordance with industry practice. Other benefits including share options, retirement benefits, subsidised medical care, pension funds and training programmes are offered to eligible employees.

EVENTS AFTER THE REPORTING PERIOD

On 12 February 2018, LT Game, an indirect non-wholly owned subsidiary of the Company, entered into an agency agreement with Shanghai Libiao Industrial Co., Ltd.[#] (上海力標實業有限公司) (“Shanghai Libiao”), a company incorporated in the PRC and wholly-owned by Mr. Hu Liming, an executive Director, pursuant to which LT Game has engaged Shanghai Libiao as its agent for the purpose of certain procurement transactions to, among others, procure the research and development of, and purchase the gaming equipment from an independent supplier. The term of the agency agreement commences from the date of the agency agreement up to the completion of the procurement transactions, which is expected to be in 2020, or on 31 December 2020, whichever is earlier. In return for the performance of the above services under the agency agreement, LT Game will pay a one-off agency fee of RMB100,000 (equivalent to approximately HK\$124,000) in cash to Shanghai Libiao upon completion of the procurement transaction.

As LT Game is an indirect non-wholly owned subsidiary of the Company and Shanghai Libiao is wholly-owned by Mr. Hu Liming, an executive Director, therefore, Shanghai Libiao is an associate of Mr. Hu Liming and a connected person of the Company, the transaction under the agency agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Further details regarding the agency agreement with Shanghai Libiao are set out in the Company’s announcement dated 12 February 2018.

Save as disclosed, there is no event after the reporting period which is required to be disclosed.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

In the opinion of the Board, the Company has complied with the code provisions of the CG Code set out in Appendix 14 to the Listing Rules throughout the year ended 31 December 2017 except for certain deviations disclosed below:

Code Provision A.2.1

Mr. Jay Chun is the Chairman and the Managing Director of the Company. In the opinion of the Board, the roles of the Managing Director and the chief executive officer are the same. Although under code provision A.2.1 of the CG Code, the roles of the Chairman and chief executive officer should be separate and should not be performed by the same individual, the Board considers that the present structure provides the Group with strong and consistent leadership and allows for efficient and effective business planning and execution. Hence, the Board believes that it is in the best interest of the Shareholders that Mr. Jay Chun will continue to assume the roles of the Chairman of the Board and the Managing Director of the Company. However, the Company will review the current structure as and when it becomes appropriate in future.

[#] *For identification purposes only*

Code Provision A.4.1

In accordance with code provision A.4.1 of the CG Code, non-executive directors should be appointed for a specific term, subject to re-election. Currently, none of the Directors (including the independent non-executive Directors) is appointed for a specific term. However, all Directors (including the independent non-executive Directors) are subject to retirement by rotation at least once every three years at the annual general meeting of the Company in accordance with the provision of the Bye-laws of the Company, and their terms of appointment will be reviewed when they are due for re-election.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code as its code of conduct regarding Directors' securities transactions. Having made specific enquiry of all Directors, all Directors have confirmed that they had complied with the requirements set out in the Model Code during the year ended 31 December 2017.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2017.

APPOINTMENT OF NEW INDEPENDENT AUDITOR

The Company's consolidated financial statements for the years ended 31 December 2014, 31 December 2015 and 31 December 2016 were audited by PAN-CHINA (H.K.) CPA LIMITED ("PAN-CHINA"). Deloitte Touche Tohmatsu was appointed as the independent auditor of the Company to fill the vacancy following the retirement of PAN-CHINA as the independent auditor of the Company at the annual general meeting of the Company held on 25 May 2017. Save as disclosed, there were no other changes in the Company's independent auditor in the past three years.

The consolidated financial statements of the Company for the year ended 31 December 2017 were audited by Deloitte Touche Tohmatsu. A resolution will be proposed at the 2018 AGM to re-appoint Deloitte Touche Tohmatsu as the independent auditor of the Company.

REVIEW OF AUDITED CONSOLIDATED FINANCIAL STATEMENTS BY THE AUDIT COMMITTEE

The Audit Committee has reviewed with the management and the independent auditor of the Company the audited consolidated financial statements for the year ended 31 December 2017 and the related accounting principles and practices adopted by the Group.

PRELIMINARY ANNOUNCEMENT OF THE GROUP'S RESULTS

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2017 as set out in this preliminary announcement have been agreed by the Company's auditor, Deloitte Touche Tohmatsu (the "Auditor"), to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by the Auditor in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by the Auditor on this preliminary announcement.

DEFINITIONS

The following expressions shall, unless the content otherwise states, have the following meanings:

"2018 AGM"	the annual general meeting of the Company to be held on 21 May 2018
"Adjusted EBITDA"	the Group's profit or loss for the year before interest income, finance costs, income tax expense, depreciation of property, plant and equipment, amortisation of intangible assets, gain or loss on disposal of property, plant and equipment, and loss arising from assignment of intangible assets, and costs incurred or associated with corporate exercises or potential projects, where applicable
"Agreement"	The Patent and Technology Assignment and License Agreement dated 25 April 2016 entered into between the Group and IGT
"Audit Committee"	the audit committee of the Company
"Board"	the board of Directors
"CG Code"	the Corporate Governance Code contained in Appendix 14 to the Listing Rules
"Company"	Paradise Entertainment Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange
"DETG"	Dealer-operated Electronic Table Game
"DICJ"	Direcção de Inspeção e Coordenação de Jogos, the Gaming Inspection and Coordination Bureau in Macau
"Directors"	the directors of the Company

“ETG”	electronic table game
“Galaxy”	Galaxy Casino, S.A., one of the three concessionaires for operation of casino games in Macau
“GGR”	gross gaming revenue, being total net win generated by all casino gaming activities combined, calculated before deduction of commissions and other expenses, if any
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKAS”	Hong Kong Accounting Standard
“HKFRS”	Hong Kong Financial Reporting Standard
“HKICPA”	Hong Kong Institute of Certified Public Accountants
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IGT”	IGT, a Nevada corporation and a subsidiary of International Game Technology, which is listed on the New York Stock Exchange under the trading symbol “IGT”
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Live ETG”	the gaming systems and associated electronic gaming terminals for extending casino games that typically involve a live dealer (e.g. baccarat, roulette, blackjack, craps, etc.) to include multiple terminals for players to play the game with the dealer in real time remotely from the table at which the dealer is located
“LMG”	live multi game
“LT Game”	LT Game Limited, a company established in the British Virgin Islands with limited liability, an indirect 82%-owned subsidiary of the Company
“Macau”	the Macao Special Administrative Region of the PRC
“Model Code”	the Model Code for Securities Transaction by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
“MOP”	Macau Pataca, the lawful currency of Macau

“Patents”	all patents and patent applications that are owned by the Group and claim any Live ETG, RNG ETG or portion thereof in various countries outside of Macau and are assigned to IGT pursuant to the Agreement
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“RNG ETG”	the gaming systems and associated electronic gaming terminals that operate separately from Live ETGs and that can simulate table game outcomes using only a software driven random number generator
“Share(s)”	ordinary share(s) of HK\$0.001 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“SJM”	Sociedade de Jogos de Macau, S.A., one of the three concessionaires for operation of casino games in Macau
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Technical Standards”	DETG Technical Standards Version 1.0 published by the DICJ
“U.S.”	the United States of America
“US\$”	United States dollars, the lawful currency of U.S.
“%”	per cent

By Order of the Board
Paradise Entertainment Limited
Chan Kin Man
Company Secretary

Hong Kong, 26 March 2018

As at the date of this announcement, the executive Directors are Mr. Jay Chun (Chairman and Managing Director, also alternate Director to Mr. Shan Shiyong, alias, Sin Sai Yung), Mr. Shan Shiyong, alias, Sin Sai Yung and Mr. Hu Liming and the independent non-executive Directors are Mr. Li John Zongyang, Mr. Kai-Shing Tao and Ms. Tang Kiu Sam Alice.