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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 2018

RESULTS

The Board announces the audited consolidated annual results of the Group for the year ended 31 December 2018 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2018

	Notes	2018 HK\$'000	2017 HK\$'000
Revenue	4	1,164,207	1,011,844
Cost of sales and services		<u>(633,201)</u>	<u>(605,978)</u>
Gross profit		531,006	405,866
Other income, gains and losses	6	15,670	21,510
Marketing, selling and distribution costs		(235,868)	(214,490)
Operating and administrative expenses		(244,398)	(241,534)
Amortisation of intangible assets		(12,138)	(12,137)
Finance costs	7	<u>(712)</u>	<u>(5,987)</u>
Profit (loss) before taxation	8	53,560	(46,772)
Taxation	9	<u>(403)</u>	<u>(680)</u>
Profit (loss) for the year		<u><u>53,157</u></u>	<u><u>(47,452)</u></u>
Profit (loss) for the year attributable to:			
— Owners of the Company		58,224	(30,698)
— Non-controlling interests		<u>(5,067)</u>	<u>(16,754)</u>
		<u><u>53,157</u></u>	<u><u>(47,452)</u></u>
Earnings (loss) per Share:	11		
— Basic		<u><u>HK5.5 cents</u></u>	<u><u>HK(2.9) cents</u></u>
— Diluted		<u><u>N/A</u></u>	<u><u>HK(2.9) cents</u></u>

* For identification purposes only

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Profit (loss) for the year	53,157	(47,452)
Other comprehensive (expense) income:		
<i>Items that will not be reclassified subsequently to profit or loss:</i>		
Fair value loss on investment in equity instruments designated at fair value through other comprehensive income	(1,277)	—
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of foreign operations	(917)	847
Fair value gain on available-for-sale investment in equity securities	<u>—</u>	<u>1,591</u>
Other comprehensive (expense) income for the year	<u>(2,194)</u>	<u>2,438</u>
Total comprehensive income (expense) for the year	<u>50,963</u>	<u>(45,014)</u>
Total comprehensive income (expense) for the year attributable to:		
— Owners of the Company	56,264	(28,548)
— Non-controlling interests	<u>(5,301)</u>	<u>(16,466)</u>
	<u>50,963</u>	<u>(45,014)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	<i>Notes</i>	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment	12	246,938	134,920
Intangible assets		80,919	93,057
Interests in an associate		—	—
Investment in equity instruments designated at fair value through other comprehensive income		1,428	—
Available-for-sale investment in equity securities		—	2,706
Other assets		<u>4,363</u>	<u>15,650</u>
		<u>333,648</u>	<u>246,333</u>
Current assets			
Inventories		78,998	62,675
Trade and other receivables	13	176,199	169,646
Finance lease receivables		—	11,393
Amount due from a related company		901	583
Pledged bank deposit	14	28,800	—
Bank balances and cash		<u>264,827</u>	<u>250,848</u>
		<u>549,725</u>	<u>495,145</u>
Current liabilities			
Trade and other payables	15	151,492	148,882
Amounts due to Directors		2,239	2,973
Taxation payable		11,878	11,868
Bank borrowing — due within one year	16	<u>5,048</u>	<u>—</u>
		<u>170,657</u>	<u>163,723</u>
Net current assets		<u>379,068</u>	<u>331,422</u>
Total assets less current liabilities		<u>712,716</u>	<u>577,755</u>
Non-current liability			
Bank borrowing — due after one year	16	<u>83,998</u>	<u>—</u>
Net assets		<u>628,718</u>	<u>577,755</u>
Capital and reserves			
Share capital	17	1,052	1,052
Reserves		<u>581,863</u>	<u>525,599</u>
Equity attributable to owners of the Company		582,915	526,651
Non-controlling interests		<u>45,803</u>	<u>51,104</u>
		<u>628,718</u>	<u>577,755</u>

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 of a diverse group of companies that are principally engaged in the provision of casino management services, and the 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 investment in equity instruments designated at fair value through other comprehensive income/available-for-sale investment in equity securities that is measured at fair value at the end of each reporting period. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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

3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

New and amendments to HKFRSs that are mandatorily effective for the current year

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

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

In addition, the Group has early applied Amendments to HKFRS 9 "Prepayment Features with Negative Compensation" which will be mandatorily effective for the Group for the financial year beginning on 1 January 2019.

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.

HKFRS 15 "Revenue from Contracts with Customers"

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations.

The Group recognises revenue from the following major sources:

- provision of casino management services
- development, sale and leasing of electronic gaming equipment and systems

The Group has applied the full retrospective method of transition to HKFRS 15 and no comparative figures have been restated as the impact is negligible.

HKFRS 9 "Financial Instruments" and the related amendments

In the current year, the Group has applied HKFRS 9 "Financial Instruments", Amendments to HKFRS 9 "Prepayment Features with Negative Compensation" and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9. i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening accumulated losses and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 "Financial Instruments: Recognition and Measurement".

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 16	Leases ¹
HKFRS 17	Insurance Contracts ²
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments ¹
Amendments to HKFRS 3	Definition of a Business ⁴
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1 and HKAS 8	Definition of Material ⁵
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement ¹
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle ¹

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

² Effective for annual periods beginning on or after 1 January 2021.

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

⁴ Effective for business combinations and assets acquisition for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

⁵ Effective for annual periods beginning on or after 1 January 2020.

The Directors anticipate that the application of some of these new and amendments to HKFRSs may have effect on the Group's financial performance and positions and/or the disclosures set out in the consolidated financial statements.

4. REVENUE

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Casino management services:		
Provision of casino management services, recognised over time	<u>1,066,939</u>	<u>973,959</u>
Electronic gaming equipment and systems:		
Sale of electronic gaming equipment and systems, recognised at a point in time	88,696	22,792
Leasing of electronic gaming equipment and systems	5,902	12,203
Royalty income, recognised over time	<u>2,670</u>	<u>2,890</u>
	<u>97,268</u>	<u>37,885</u>
Total	<u><u>1,164,207</u></u>	<u><u>1,011,844</u></u>
Analysis of revenue:		
Recognised over time	1,069,609	976,849
Recognised at a point in time	<u>88,696</u>	<u>22,792</u>
	1,158,305	999,641
Leasing income	<u>5,902</u>	<u>12,203</u>
Total	<u><u>1,164,207</u></u>	<u><u>1,011,844</u></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 purposes 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 purposes 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 2018

	Casino management services HK\$'000	Gaming systems HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Segment revenue	<u>1,066,939</u>	<u>97,268</u>		<u>1,164,207</u>
Segment results	<u>138,345</u>	<u>(57,450)</u>		80,895
Unallocated corporate income				8
Unallocated corporate expenses				<u>(27,343)</u>
Profit before taxation				53,560
Taxation				<u>(403)</u>
Profit for the year				<u>53,157</u>
Other information				
Capital expenditure	22,392	148,565	48	171,005
Amortisation of intangible assets	12,138	—	—	12,138
Depreciation of property, plant and equipment	50,101	6,870	1,113	58,084
Loss allowance on financial assets	—	258	—	258
Write-down of inventories	<u>—</u>	<u>4,961</u>	<u>—</u>	<u>4,961</u>

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
Loss allowance on financial assets	—	6,700	—	6,700
Write-down of inventories	<u>—</u>	<u>9,825</u>	<u>—</u>	<u>9,825</u>

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Bank interest income	3,004	2,915
Finance lease interest income	142	1,131
Loan interest income	<u>1,248</u>	<u>1,248</u>
	4,394	5,294
(Loss) gain on disposal of property, plant and equipment	(642)	4,762
Income from repair services	2,723	2,501
Rental income	6,559	4,757
Sundry income	<u>2,636</u>	<u>4,196</u>
	<u><u>15,670</u></u>	<u><u>21,510</u></u>

7. FINANCE COSTS

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Interest on bank borrowing	712	—
Imputed interest on promissory note (<i>note</i>)	<u>—</u>	<u>5,987</u>
	<u><u>712</u></u>	<u><u>5,987</u></u>

Note: The promissory note was fully repaid on maturity during the year ended 31 December 2017. The effective interest rate of the promissory note was 13.36% per annum.

8. PROFIT (LOSS) BEFORE TAXATION

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Profit (loss) before taxation has been arrived at after charging:		
Directors' emoluments	25,972	25,846
Other staff costs		
— Salaries and other benefits	143,598	142,167
— Retirement benefit scheme contributions	2,040	1,849
Total staff costs	171,610	169,862
Amortisation of intangible assets	12,138	12,137
Auditor's remuneration	2,380	2,380
Loss allowance on financial assets	258	6,700
Cost of inventories recognised as expenses	30,174	7,476
Depreciation of property, plant and equipment	58,084	57,155
Impairment loss on amount due from an associate	—	5
Research and development expenditure (<i>note</i>)	67,388	47,740
Write-down of inventories	4,961	9,825

Note: Research and development expenditure for the year ended 31 December 2018 of HK\$67,388,000 (2017: HK\$47,740,000) includes staff costs of HK\$34,007,000 (2017: HK\$27,566,000), depreciation of HK\$922,000 (2017: HK\$987,000), operating lease expenses of HK\$2,349,000 (2017: HK\$2,187,000) and other expenses of HK\$30,110,000 (2017: HK\$17,000,000).

9. TAXATION

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Current tax charge:		
Lump Sum Dividend Tax	378	378
PRC Enterprise Income Tax	25	197
Tax in other jurisdictions	—	105
	403	680

The provision for taxation is calculated on the assessable profit 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 Macau Complementary Tax ("Macau CT") or Hong Kong Profits Tax is made in the consolidated financial statements as the Group did not generate any assessable profit in Macau and Hong Kong for both years.

Pursuant to the confirmation letters issued by the Financial Services Bureau of the Macau government dated 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/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 Despach no. 378/2011 of 23 November 2011.

Pursuant to the approval letter issued by the Financial Services Bureau of the Macau government dated 15 August 2017, LT Macau is 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 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 are required regardless of whether dividends were actually distributed or whether LT Macau had distributable profits in the relevant years. For the year ended 31 December 2018, provision for taxation of HK\$378,000 (2017: HK\$378,000) has been recognised which was charged to the consolidated statement of profit or loss.

10. DIVIDEND

The Board recommends the payment of a final dividend of HK2.5 cents per Share for the year ended 31 December 2018 (2017: nil) which is subject to Shareholders’ approval at the 2019 AGM. The final dividend payable in this connection will be approximately HK\$26,305,000, calculated on the basis of 1,052,185,315 Shares in issue at the date of this announcement. The proposed dividend payable is not recognised at 31 December 2018 in the consolidated financial statements for the year ended 31 December 2018.

11. EARNINGS (LOSS) PER SHARE

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

	2018	2017
	<i>HK\$’000</i>	<i>HK\$’000</i>
Profit (loss) for the year attributable to owners of the Company for the purpose of calculating basic and diluted earnings (loss) per Share	<u>58,224</u>	<u>(30,698)</u>
	’000	’000
Number of Shares		
Weighted average number of Shares for the purpose of calculating basic and diluted earnings (loss) per Share	<u>1,052,185</u>	<u>1,052,185</u>

For the year end 31 December 2018, no diluted earnings per Share were presented as there were no dilutive potential ordinary shares.

For the year ended 31 December 2017, 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. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings	Leasehold improvements	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
COST						
At 1 January 2017	—	201,333	258,826	41,550	9,285	510,994
Currency realignment	—	52	—	197	—	249
Additions	—	3,399	19,405	1,151	1,177	25,132
Transfer from inventories	—	—	5,308	—	—	5,308
Disposals	—	(749)	(5,230)	(151)	—	(6,130)
At 31 December 2017	—	204,035	278,309	42,747	10,462	535,553
Currency realignment	—	(41)	—	(173)	—	(214)
Additions	134,003	10,741	21,909	2,710	1,642	171,005
Disposals	—	(16,434)	(4,700)	(14)	—	(21,148)
At 31 December 2018	134,003	198,301	295,518	45,270	12,104	685,196
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
At 1 January 2017	—	136,684	180,594	27,695	2,641	347,614
Currency realignment	—	39	—	85	—	124
Provided for the year	—	20,389	30,894	4,670	1,202	57,155
Eliminated on disposal	—	(749)	(3,412)	(99)	—	(4,260)
At 31 December 2017	—	156,363	208,076	32,351	3,843	400,633
Currency realignment	—	(33)	—	(107)	—	(140)
Provided for the year	1,072	19,470	31,241	4,399	1,902	58,084
Eliminated on disposal	—	(16,434)	(3,873)	(12)	—	(20,319)
At 31 December 2018	1,072	159,366	235,444	36,631	5,745	438,258
CARRYING AMOUNTS						
At 31 December 2018	132,931	38,935	60,074	8,639	6,359	246,938
At 31 December 2017	—	47,672	70,233	10,396	6,619	134,920

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold land and buildings	Over the shorter term of the lease, or 50 years
Leasehold improvements	20% or over the remaining terms of the leases if shorter
Plant and machinery	10%–20%
Furniture, fixtures and equipment	15%–20%
Motor vehicles	10%–20%

13. TRADE AND OTHER RECEIVABLES

	2018	2017
	HK\$'000	HK\$'000
Trade receivables (<i>note i</i>)	72,738	65,545
Less: loss allowance	<u>(287)</u>	<u>(287)</u>
	72,451	65,258
Chips on hand (<i>note ii</i>)	29,354	33,607
Deposits paid	45,176	42,198
Loan receivable (<i>note iii</i>)	15,600	15,600
Other receivables and prepayments (<i>note iii</i>)	<u>13,618</u>	<u>12,983</u>
	<u>176,199</u>	<u>169,646</u>

Notes:

- (i) As at 31 December 2018 and 1 January 2018, trade receivables from contracts with customers amounted to HK\$72,451,000 and HK\$65,258,000, respectively. 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 limits 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\$69,739,000 (2017: HK\$62,070,000), 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 loss allowance) based on the date of monthly statements of service income or the invoice date at the end of the reporting period:

	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Age:		
0-30 days	69,812	62,076
31-60 days	524	1,043
61-90 days	126	390
91-180 days	159	830
181-365 days	1,830	324
Over 365 days	<u>—</u>	<u>595</u>
	<u>72,451</u>	<u>65,258</u>

Movement in the loss allowance

	<i>HK\$'000</i>
At 1 January 2017, 31 December 2017 and 31 December 2018	<u>287</u>

The loss allowance represented individually impaired trade receivables with an aggregate balance of HK\$287,000.

- (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 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 loan is unsecured and guaranteed by Mr. Pak Suil, who holds an 18% shareholding in, and is a director of, LT Game Limited, an indirect subsidiary of the Company incorporated in the British Virgin Islands. Pursuant to the loan agreement and the amendments to the loan agreement dated 4 October 2017, 4 April 2018 and 4 October 2018 (collectively referred to as the “Loan Agreement”), the maturity date of the loan principal and accrued interest thereon is 5 April 2019.

At 31 December 2018, HK\$2,797,000 (2017: HK\$1,549,000) was included in other receivables and prepayments in respect of the interest receivable pursuant to the Loan Agreement.

14. PLEDGED BANK DEPOSIT

The amount as at 31 December 2018 represents a bank deposit pledged to a bank to secure a bank facility granted by the bank to a subsidiary of the Company. The bank facility represents a bank guarantee amounting to MOP29,635,000 (equivalent to HK\$28,772,000) for the period from 30 April 2018 to 31 March 2020, which is in favour of SJM for the Group’s fulfilment of all its obligations, in particular for reimbursement by the Group to SJM of the employee’s

salaries and benefits for those gaming operation employees employed by SJM who work for the casino under the Group's management, as stipulated under the service agreement (and all related supplemental agreements) entered into between SJM and the Group for provision of casino management services by the Group to SJM.

15. TRADE AND OTHER PAYABLES

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Trade payables	21,426	38,183
Accrued staff costs	29,213	28,610
Accrued promotional expenses	32,802	29,403
Contract liabilities	44,878	28,772
Deposits received	1,086	1,021
Other sundry payables	15,552	14,892
Other accrued expenses	6,535	8,001
	<u>151,492</u>	<u>148,882</u>

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Age:		
0–30 days	14,672	10,711
31–60 days	5,665	4,893
61–90 days	250	3,104
91–365 days	839	14,334
Over 365 days	—	5,141
	<u>21,426</u>	<u>38,183</u>

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

16. BANK BORROWING

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Bank borrowing	<u>89,046</u>	<u>—</u>
The bank borrowing is repayable as follows*:		
Within one year	5,048	—
Within a period of more than one year but not exceeding two years	5,176	—
Within a period of more than two years but not exceeding five years	16,335	—
Within a period of more than five years	<u>62,487</u>	<u>—</u>
	89,046	—
Less: Amounts due within one year shown under current liabilities	<u>(5,048)</u>	<u>—</u>
Amounts due after one year shown under non-current liability	<u>83,998</u>	<u>—</u>

* The amounts due are based on scheduled repayment dates set out in the mortgage loan agreement.

At 31 December 2018, the bank borrowing carried interests at the Lending Prime Rate as quoted by the lending bank from time to time minus 2.85% (2017: nil) per annum. The effective interest rate of the bank borrowing is 2.53% (2017: nil) per annum.

At 31 December 2018, the bank borrowing of HK\$89,046,000 (2017: nil) was secured by a mortgage over the Group's leasehold land and buildings with carrying amount of HK\$132,931,000 (2017: nil). The bank borrowing is denominated in MOP.

17. SHARE CAPITAL

	Number of Shares '000	Share capital <i>HK\$'000</i>
Ordinary shares of HK\$0.001 each		
Authorised:		
At 1 January 2017, 31 December 2017 and 31 December 2018	<u>1,000,000,000</u>	<u>1,000,000</u>
Issued and fully paid:		
At 1 January 2017, 31 December 2017 and 31 December 2018	<u>1,052,185</u>	<u>1,052</u>

18. PLEDGE OF ASSETS

At 31 December 2018, the Group's bank deposit and leasehold land and buildings with carrying amounts of HK\$28,800,000 and HK\$132,931,000 as set out in notes 14 and 12, respectively, were pledged to banks to secure for certain facilities granted by the banks to the Group.

19. OPERATING LEASES

The Group as lessee

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Minimum operating lease rentals in respect of rented premises recognised during the year	<u>37,340</u>	<u>60,013</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 and other assets, which fall due as follows:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Within one year	35,575	41,666
In the second to fifth year inclusive	<u>13,672</u>	<u>33,942</u>
	<u>49,247</u>	<u>75,608</u>

Operating lease payments represent 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 one to six (2017: one to six) years.

20. CAPITAL COMMITMENTS

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Capital expenditure in respect of property, plant and equipment contracted for but not provided in the consolidated financial statements	<u>1,062</u>	<u>5,773</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Financial Review

Overview of Results

Total reported revenue of the Group for the year ended 31 December 2018 was HK\$1,164.2 million, representing an increase of 15.1% over that of HK\$1,011.8 million for the year ended 31 December 2017. The increase was mainly due to an increase in revenue from provision of casino management services as a result of an increase in total GGR from the casinos under the Group's management and an increase in revenue from sale of electronic gaming equipment and systems. An analysis of the reported revenue by properties/nature is as follows:

	2018	2017
	<i>HK\$ million</i>	<i>HK\$ million</i>
Casinos under the Group's management:		
Casino Kam Pek Paradise	780.2	681.8
Casino Waldo	286.7	292.1
	1,066.9	973.9
Electronic gaming equipment and systems:		
Sale of electronic gaming equipment and systems	88.7	22.8
Leasing of electronic gaming equipment and systems*	5.9	12.2
Royalty income from IGT	2.7	2.9
	97.3	37.9
Total reported revenue	1,164.2	1,011.8

*: *Leasing revenue for the year ended 31 December 2018 did not include the intercompany revenue derived from the LMG terminals deployed at casinos under the Group's management amounting to HK\$154.8 million (2017: HK\$134.4 million) which was included in the revenue of respective casinos under the Group's management in the above table*

Adjusted EBITDA for the year ended 31 December 2018 was HK\$120.7 million, representing an increase of 429.4% over that of HK\$22.8 million for the year ended 31 December 2017. The following table reconciles profit (loss) for the year to Adjusted EBITDA:

	2018 <i>HK\$ million</i>	2017 <i>HK\$ million</i>
Profit (loss) for the year	53.2	(47.5)
Adjustments for:		
Interest income	(4.4)	(5.3)
Finance costs	0.7	6.0
Income tax expense	0.4	0.7
Depreciation of property, plant and equipment	58.1	57.2
Loss (gain) on disposal of property, plant and equipment	0.6	(4.8)
Amortisation for intangible assets	12.1	12.1
Costs incurred or associated with corporate exercise and potential projects	<u>—</u>	<u>4.4</u>
Adjusted EBITDA	<u>120.7</u>	<u>22.8</u>

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

	2018 <i>HK\$ million</i>	2017 <i>HK\$ million</i>
Casinos under the Group's management:		
Casino Kam Pek Paradise	221.8	154.1
Casino Waldo	<u>(24.2)</u>	<u>(22.0)</u>
	<u>197.6</u>	<u>132.1</u>
Electronic gaming equipment and systems:		
Sale of electronic gaming equipment and systems	10.5	(35.2)
Leasing of electronic gaming equipment and systems	2.8	8.5
Research and development and other costs	(66.6)	(46.9)
ETG distribution from IGT	<u>2.6</u>	<u>(3.3)</u>
	<u>(50.7)</u>	<u>(76.9)</u>
Other expenses	<u>(26.2)</u>	<u>(32.4)</u>
Adjusted EBITDA	<u>120.7</u>	<u>22.8</u>

The Adjusted EBITDA from casinos under the Group's management was HK\$197.6 million, representing an increase of 49.6% over that of HK\$132.1 million for the year ended 31 December 2017. The increase was mainly due to the increase in total GGR generated by the casinos under the Group's management for the year ended 31 December 2018 when compared to that for the year ended 31 December 2017.

The Adjusted EBITDA from the electronic gaming equipment and systems segment was a loss of HK\$50.7 million, representing a decrease of 34.1% over that of the loss of HK\$76.9 million for the year ended 31 December 2017. For the year ended 31 December 2018, sale of electronic gaming equipment and systems contributed Adjusted EBITDA of HK\$10.5 million (2017: a loss of HK\$35.2 million) to the Group. On the other hand, the Group increased its investment in research and development and other costs on new/upgraded ETG machines, slot machines, casino management systems, etc. from HK\$46.9 million for the year ended 31 December 2017 to HK\$66.6 million for the year ended 31 December 2018. The research and development and other costs incurred for the year ended 31 December 2018 represented 5.7% (2017: 4.6%) of the reported revenue of the Group for the year. For the year ended 31 December 2018, ETG distribution from IGT contributed Adjusted EBITDA of HK\$2.6 million (2017: a loss of HK\$3.3 million) to the Group. The loss of HK\$3.3 million from ETG distribution from IGT for the year ended 31 December 2017 included the earn-out royalty payments entitled by the Group from IGT under the patent and technology assignment and license agreement dated 25 April 2016 with IGT 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.

The Group's recorded a profit of HK\$53.2 million for the year ended 31 December 2018, as compared to a loss of HK\$47.5 million for the year ended 31 December 2017. The turnaround from loss for the year ended 31 December 2017 to profit for the year ended 31 December 2018 was mainly due to the increases in revenue from provision of casino management services and revenue from sale of electronic gaming equipment and systems as described above.

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 2018 and 31 December 2017:

	2018			2017		
	Casino Kam Pek Paradise	Casino Waldo	Total	Casino Kam Pek Paradise	Casino Waldo	Total
(Average no. of units)						
Traditional gaming tables	39	25	64	38	25	63
LMG tables	10	5	15	10	5	15
LMG terminals	1,000	423	1,423	971	320	1,291
Slot machines	194	176	370	178	164	342

As at 31 December 2018, the Group had a total of 79 (31 December 2017: 79) gaming tables under management.

The following table sets out certain key operational data of mass gaming tables, LMG terminals and slot machines deployed at the two casinos under the Group's management for the years ended 31 December 2018 and 31 December 2017:

		Casino Kam Pek			
		Paradise		Casino Waldo	
		2018	2017	2018	2017
Traditional gaming tables					
GGR	<i>(HK\$ million)</i>	792.5	703.7	365.6	391.3
Gaming tables	<i>(Average no. of tables)</i>	39	38	25	25
Net win/table/day	<i>(HK\$ thousand)</i>	55.7	50.7	40.1	42.9
LMG tables					
GGR	<i>(HK\$ million)</i>	573.1	498.0	130.3	113.0
Terminals	<i>(Average no. of terminals/tables)</i>	1,000/10	971/10	423/5	320/5
Net win/terminal/day	<i>(HK\$)</i>	1,570	1,405	844	967
Net win/LMG table/day	<i>(HK\$ thousand)</i>	157.0	136.4	71.4	61.9
Total gaming tables					
GGR	<i>(HK\$ million)</i>	1,365.6	1,201.7	495.9	504.3
Gaming tables	<i>(Average no. of tables)</i>	49	48	30	30
Net win/table/day	<i>(HK\$ thousand)</i>	76.4	68.6	45.3	46.1
Slot machines					
GGR	<i>(HK\$ million)</i>	65.7	48.0	8.1	8.8
Slot machines	<i>(Average no. of units)</i>	194	178	176	164
Net win/unit/day	<i>(HK\$)</i>	928	739	126	147
Total GGR		1,431.3	1,249.7	504.0	513.1

For the year ended 31 December 2018, total GGR generated by Casino Kam Pek Paradise amounted to HK\$1,431.3 million, representing an increase of 14.5% over that of HK\$1,249.7 million for the year ended 31 December 2017. Total GGR generated by Casino Waldo for the year ended 31 December 2018 amounted to HK\$504.0 million, representing a decrease of 1.8% over that of HK\$513.1 million for the year ended 31 December 2017.

Breakdown of the revenue attributable to the Group for casinos under the Group's management for the years ended 31 December 2018 and 31 December 2017 is as follows:

	2018	2017
	<i>HK\$ million</i>	<i>HK\$ million</i>
Casino Kam Pek Paradise:		
Traditional gaming tables	435.9	387.0
LMG tables	315.2	273.9
Slot machines	<u>29.1</u>	<u>20.9</u>
	<u>780.2</u>	<u>681.8</u>
Casino Waldo:		
Traditional gaming tables	208.0	222.8
LMG tables	74.1	64.3
Slot machines	<u>4.6</u>	<u>5.0</u>
	<u>286.7</u>	<u>292.1</u>
	<u>1,066.9</u>	<u>973.9</u>

Total revenue attributable to the Group generated by the casinos under the Group's management for the year ended 31 December 2018 was HK\$1,066.9 million, representing an increase of 9.5% over that of HK\$973.9 million for the year ended 31 December 2017. The total net increase in revenue was due to the increase of 14.4% in revenue from Casino Kam Pek Paradise which was partially offset by the decrease of 1.8% in revenue from Casino Waldo for the year ended 31 December 2018 when compared to those for the year ended 31 December 2017.

Development, Sale and Leasing of Electronic Gaming Equipment and Systems

Sale of Electronic Gaming Equipment and Systems

For the year ended 31 December 2018, revenue from sale of electronic gaming equipment and systems amounted to HK\$88.7 million, representing an increase of 289.0% over that of HK\$22.8 million for the year ended 31 December 2017. The sale for the year ended 31 December 2018 represented mainly the deployment of a total of 383 LMG terminals and other equipment at MGM Cotai and Venetian Macau, and the sale of other gaming equipment including the X-Stadium Live to City of Dream (2017: 78 LMG terminals at Wynn Macau and Macau Fisherman's Wharf).

Leasing of Electronic Gaming Equipment and Systems

For the year ended 31 December 2018, revenue from leasing of electronic gaming equipment and systems amounted to HK\$5.9 million, representing a decrease of 51.6% over that of HK\$12.2 million for the year ended 31 December 2017.

The following table sets 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 2018 and 31 December 2017:

		2018	2017
GGR from LMG terminals	<i>(HK\$ million)</i>	21.2	51.6
No. of LMG terminals	<i>(Average no. of terminals)</i>	207	333
Net win/terminal/day	<i>(HK\$)</i>	281	425
Revenue sharing	<i>(HK\$ million)</i>	<u>5.3</u>	<u>12.2</u>

ETG Distribution from IGT

In April 2016, the Group entered into a strategic agreement with IGT and assigned and licensed certain patents and associated technology to IGT in return for a non-refundable upfront payment of US\$12.95 million (approximately HK\$101.0 million) and a 15-year earn-out payment for every ETG machine deployed in the global market (other than Macau).

Based on the royalty statements provided by IGT to the Group, the Group recognised royalty income of HK\$2.7 million (2017: HK\$2.9 million) for the year ended 31 December 2018. Up to 31 December 2018, the Group has accumulatively recognised a total revenue of HK\$5.6 million from ETG distribution from IGT.

PROSPECTS

The Group is cautiously optimistic in the Macau gaming industry. Macau's total GGR increased by 14.0% year-on-year in 2018. The stabilising Chinese economy, the rising middle class and improving infrastructures such as the newly opened Hong Kong-Zhuhai-Macao Bridge and the soon-to-be completed Light Rapid Transit in Macau will undoubtedly bring more visitors to the city. Having more inbound tourists to Macau means that there are more mass gaming patrons, which should benefit the mass gaming segment that the two casinos under the Group's management focus on.

Replacement and upgrade demand for LMG machines has been on the rise since 2018, particularly following the introduction of the Technical Standards by the DICJ in late 2017 that has set out technical requirements for gaming products relating to DETG in Macau. This demand should continue into 2019 as the DETG that are not upgraded to meet the new requirements for the compliance of the Technical Standards by 31 December 2019 should no longer be used in Macau casinos. On the other hand, complementary LMG products such as the X-Stadium Live received new orders as customers praised its customisability and its captivating animation in the centre of the mass gaming floors. Casino operators' universal quest for more seats, fewer tables, lower minimum bets and higher yields translates into a future need for solutions that could help them achieve higher efficiency and to optimise their table yields.

Going forward, the Group will offer a pipeline of other LMG companion products for table optimisation to the market. Aside from LMG machines, several of our new slot games are now fully tested and are soon ready to debut in the market. The Group strengthened our sales and marketing teams targeting casino operators in Macau, South East Asia and the North America, etc. Our partnership arrangements with international partners also empower us to leverage on their global distribution networks for our products.

While we continue to improve the operating efficiency in the two casinos under our management, these two casinos also serve as an opportunity for the deployment of our innovative products in the gaming equipment and systems segment. The two segments act together as a synergistic bond between each other such that we know how customers feel about our machines directly. We are committed to continuously invest in the research and development on gaming technology in areas such as ETG products, slot machines, and other gaming equipment and systems. The pipeline of these new gaming equipment and systems is part of our long-term commitment for growth in the future.

Looking ahead, the Group remains cautiously optimistic while we continue to seek expansion opportunities. In view of the Group's cash position with a low gearing ratio, we are actively exploring opportunities in the gaming technology space. We will continue to identify new business opportunities in and outside of Macau with an aim to maximise returns to the Shareholders.

DIVIDEND

The Board recommends the payment of a final dividend of HK2.5 cents per Share for the year ended 31 December 2018 (2017: nil) which is subject to Shareholders' approval at the 2019 AGM. The final dividend payable in this connection will be HK\$26.3 million, calculated on the basis of 1,052,185,315 Shares in issue at the date of this announcement. The proposed dividend payable is not recognised at 31 December 2018 in the consolidated financial statements for the year ended 31 December 2018.

BOOK CLOSURE FOR 2019 AGM

To ascertain Shareholders' eligibility to attend and vote at the 2019 AGM to be held on 21 May 2019, the register of members of the Company will be closed from 16 May 2019 to 21 May 2019, both days inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend

and vote at the 2019 AGM, all transfers of Shares accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar, 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 2019.

BOOK CLOSURE FOR PROPOSED FINAL DIVIDEND

To ascertain Shareholders' entitlement to the proposed final dividend, the register of members of the Company will be closed from 28 May 2019 to 30 May 2019, both days inclusive, during which period no transfer of Shares will be registered. The last day for dealing in the Shares cum entitlements to the proposed final dividend will be 23 May 2019. In order to be eligible for the proposed final dividend, all transfer forms accompanied by relevant share certificates must be lodged for registration with the Company's branch share registrar, Tricor Secretaries Limited, of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 27 May 2019. The proposed dividend is expected to be paid on or before 28 June 2019.

LIQUIDITY AND FINANCIAL RESOURCES

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

The Group has adopted a prudent financial management approach towards its financial and treasury policies. During the year under review, we were on track with this approach to maintain a healthy liquidity position. The Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time. The Group may utilise the balance of cash for appropriate investment in accordance with the Group's strategic direction and development.

As at 31 December 2018, the consolidated net assets of the Group amounted to HK\$628.7 million, representing an increase of HK\$50.9 million or 8.8% from HK\$577.8 million as at 31 December 2017. The increase in consolidated net assets of the Group during the year ended 31 December 2018 was mainly due to the Group's profit of HK\$53.2 million for the year ended 31 December 2018.

Pledged Bank Deposit, Bank Balances and Cash, and Chips on Hand

As at 31 December 2018, the Group held pledged bank deposit of HK\$28.8 million, bank balances and cash of HK\$264.8 million and chips on hand of HK\$29.4 million. Included in the bank balances and cash as at 31 December 2018 were fixed deposits of HK\$132.9 million placed at banks in Macau with maturities ranging from 3 to 12 months. The fixed deposits were denominated in HK\$ (the Group's functional currency) and US\$. Given HK\$ are linked to US\$, the Group considers the exposure to exchange rate risk is normal for its fixed deposits denominated in US\$.

Borrowing and Gearing Ratio

As at 31 December 2018, the Group had outstanding (i) secured and unguaranteed bank borrowing of approximately HK\$89.0 million (2017: nil); and (ii) unsecured and unguaranteed amounts due to Directors of HK\$2.2 million (2017: HK\$3.0 million).

The Group's bank borrowing carried interest at prevailing market rates and was on floating rate basis. The bank borrowing was denominated in MOP. Given MOP is pegged to HK\$, the Group considers the exposure to exchange rate risk is normal for its bank borrowing denominated in MOP. The maturity profile of the bank borrowing of HK\$89.0 million as at 31 December 2018 spread over a period of more than five years, with HK\$5.0 million repayable within one year, HK\$5.2 million in the second year, HK\$16.3 million in the third to fifth years and HK\$62.5 million over five years. The amounts due to Directors were interest-free and repayable on demand.

The Group's gearing ratio (expressed as a percentage of total borrowings over net assets) as at 31 December 2018 was 14.5% (2017: 0.5%). The increase in the Group's gearing ratio was mainly due to the inception of bank mortgage borrowing to finance the acquisition of properties during the year ended 31 December 2018.

During the year ended 31 December 2018, the Group did not employ any financial instruments for hedging purposes.

CAPITAL COMMITMENTS

Particulars of the Company's significant capital commitments as at 31 December 2018 are set out in note 20 to the consolidated financial statements.

FOREIGN EXCHANGE EXPOSURE

The majority of the Group's income and expenses, bank fixed deposits and bank borrowing 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 Group does not consider that any specific hedge for currency fluctuation is necessary.

CHARGES ON GROUP ASSETS

As at 31 December 2018, leasehold land and buildings of the Group with the carrying amount of HK\$132.9 million were pledged to secure a bank borrowing granted by a bank to the Group.

In addition, as at 31 December 2018, a fixed deposit of HK\$28.8 million placed at a bank was pledged to secure for a guarantee in the amount of HK\$28.8 million issued by the bank for the period from 30 April 2018 to 31 March 2020 in favour of SJM for the Group's fulfilment of all its obligations, in particular for reimbursement by the Group to SJM of the employees' salaries and benefits for those

gaming operation employees employed by SJM who work for the casino under the Group's management, as stipulated under the service agreement (and all related supplemental agreements) entered into between SJM and the Group for provision of casino management services by the Group to SJM.

CONTINGENT LIABILITIES

As at 31 December 2018, the Group did not have any contingent liabilities.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2018, the Group had approximately 1,150 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

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 2018 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.

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 the 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 2018.

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 2018.

INDEPENDENT AUDITOR

The Company's consolidated financial statements for the years ended 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. The consolidated financial statements of the Company for the year ended 31 December 2017 were audited by Deloitte Touche Tohmatsu. 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 2018 were audited by Deloitte Touche Tohmatsu. A resolution will be proposed at the 2019 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 2018 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 2018 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:

“2019 AGM”	the forthcoming annual general meeting of the Company to be held on 21 May 2019
“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 costs incurred or associated with corporate exercises or potential projects, where applicable
“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
“Director(s)”	the director(s) of the Company
“ETG”	electronic table game
“Galaxy”	Galaxy Casino, S.A., one of the three concessionaires for operation of casinos 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”	a Nevada corporation and a subsidiary of International Game Technology PLC, 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
“LMG”	live multi game
“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
“PRC”	the People’s Republic of China
“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 casinos 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\$” the United States dollars, the lawful currency of the U.S.

“%” per cent

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

Hong Kong, 26 March 2019

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.