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PARADISE ENTERTAINMENT LIMITED

滙彩控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1180)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2017

RESULTS

The Board announces the unaudited consolidated interim results of the Group for the six months ended 30 June 2017 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2017

		Six months ended 30 June	
		2017	2016
	Notes	HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Revenue	3	489,276	519,792
Cost of sales and services		<u>(308,046)</u>	<u>(345,414)</u>
Gross profit		181,230	174,378
Other income		14,294	3,544
Marketing, selling and distribution costs		(105,033)	(98,214)
Operating and administrative expenses		(113,372)	(127,814)
Amortisation of intangible assets		(6,069)	(21,280)
Loss arising from assignment of intangible assets	6(i)	—	(334,765)
Finance costs	5	<u>(5,987)</u>	<u>(5,250)</u>
Loss before taxation	6	(34,937)	(409,401)
Taxation	7	<u>(383)</u>	<u>(1,052)</u>
Loss for the period		<u><u>(35,320)</u></u>	<u><u>(410,453)</u></u>
(Loss) profit for the period attributable to:			
— owners of the Company		(40,221)	(416,843)
— non-controlling interests		4,901	6,390
		<u><u>(35,320)</u></u>	<u><u>(410,453)</u></u>
Loss per Share:	9		
Basic		<u><u>HK(3.82) cents</u></u>	<u><u>HK(39.61) cents</u></u>
Diluted		<u><u>HK(3.82) cents</u></u>	<u><u>N/A</u></u>

* For identification purposes only

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

For the six months ended 30 June 2017

	Six months ended 30 June	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Loss for the period	(35,320)	(410,453)
Other comprehensive income (expense):		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	158	(74)
Fair value gain on available-for-sale investment in equity securities	1,082	—
Other comprehensive income (expense) for the period	1,240	(74)
Total comprehensive expense for the period	(34,080)	(410,527)
Total comprehensive (expense) income for the period attributable to:		
— owners of the Company	(39,177)	(416,917)
— non-controlling interests	5,097	6,390
	(34,080)	(410,527)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2017

		At 30 June 2017 HK\$'000 (unaudited)	At 31 December 2016 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	10	138,633	163,380
Intangible assets		99,125	105,194
Interest in an associate		—	—
Available-for-sale investment in equity securities		2,197	1,115
Finance lease receivables		—	18,274
		<u>239,955</u>	<u>287,963</u>
Current assets			
Inventories		64,215	70,577
Trade and other receivables	11	211,591	249,220
Finance lease receivables		18,219	—
Bank balances and cash		200,009	307,754
		<u>494,034</u>	<u>627,551</u>
Current liabilities			
Trade and other payables	12	132,730	189,246
Amounts due to Directors		986	3,709
Taxation payable		11,584	11,777
Promissory note	13	—	88,013
		<u>145,300</u>	<u>292,745</u>
Net current assets		<u>348,734</u>	<u>334,806</u>
Net assets		<u><u>588,689</u></u>	<u><u>622,769</u></u>

		At 30 June 2017	At 31 December 2016
	<i>Note</i>	HK\$'000	HK\$'000
		(unaudited)	(audited)
Capital and reserves			
Share capital	<i>14</i>	1,052	1,052
Reserves		<u>514,970</u>	<u>554,147</u>
Equity attributable to owners of the Company		516,022	555,199
Non-controlling interests		<u>72,667</u>	<u>67,570</u>
Total equity		<u><u>588,689</u></u>	<u><u>622,769</u></u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

	Attributable to owners of the Company										
	Share capital	Share premium	Treasury shares	Warrant reserve	Contributed surplus	Investment revaluation reserve	Translation reserve	Accumulated losses	Total	Non-controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2017 (audited)	1,052	927,197	—	1,500	119,612	—	21,046	(515,208)	555,199	67,570	622,769
(Loss) profit for the period	—	—	—	—	—	—	—	(40,221)	(40,221)	4,901	(35,320)
Other comprehensive income for the period	—	—	—	—	—	887	157	—	1,044	196	1,240
Total comprehensive income (expense) for the period	—	—	—	—	—	887	157	(40,221)	(39,177)	5,097	(34,080)
Reduction of share premium (note ii)	—	(927,197)	—	—	927,197	—	—	—	—	—	—
At 30 June 2017 (unaudited)	1,052	—	—	1,500	1,046,809	887	21,203	(555,429)	516,022	72,667	588,689

For the six months ended 30 June 2016

	Attributable to owners of the Company										
	Share capital	Share premium	Treasury shares	Warrant reserve	Contributed surplus	Investment revaluation reserve	Translation reserve	Accumulated losses	Total	Non-controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2016 (audited)	1,053	928,837	(1,641)	—	119,612	—	21,201	(134,828)	934,234	42,330	976,564
(Loss) profit for the period	—	—	—	—	—	—	—	(416,843)	(416,843)	6,390	(410,453)
Other comprehensive expense for the period	—	—	—	—	—	—	(74)	—	(74)	—	(74)
Total comprehensive (expense) income for the period	—	—	—	—	—	—	(74)	(416,843)	(416,917)	6,390	(410,527)
Cancellation of Shares repurchased	(1)	(1,640)	1,641	—	—	—	—	—	—	—	—
At 30 June 2016 (unaudited)	1,052	927,197	—	—	119,612	—	21,127	(551,671)	517,317	48,720	566,037

Notes:

- (i) The warrant reserve represents the fair value of the unexercised warrants issued by the Group recognised in accordance with the Group's accounting policy adopted for equity instruments.

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. No warrant has been exercised up to the date of approval of these condensed consolidated financial statements.

- (ii) The reduction of share premium represented the transfer of the entire balance of the share premium to the contributed surplus, which has been approved by the shareholders of the Company at the special general meeting of the Company held on 26 June 2017.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

1. GENERAL

The Company was incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda. The Company's Shares are listed on the Main Board of the Stock Exchange.

The condensed consolidated financial statements are presented in HK\$, which is also the functional currency of the Company, and have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim financial reporting" issued by the HKICPA as well as with the applicable disclosure requirements of Appendix 16 to the Listing Rules.

2. SIGNIFICANT ACCOUNTING POLICIES

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2017 are the same as those followed in the preparation of the annual financial statements of the Group for the year ended 31 December 2016.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements:

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

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements, but additional disclosure about changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes on application of amendment to HKAS 7 will be provided in the consolidated financial statements for the year ending 31 December 2017.

3. REVENUE

	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Revenue from:		
Provision of casino management services	399,069	402,681
Sale of electronic gaming equipment and systems	18,984	43,533
Leasing of electronic gaming equipment and systems	<u>71,223</u>	<u>73,578</u>
	<u>489,276</u>	<u>519,792</u>

4. SEGMENT INFORMATION

The Group's chief operating decision maker has been identified as the executive Directors who 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 above segments have been identified on the basis of internal management reports prepared and regularly reviewed by the executive Directors when making decisions about allocating resources and assessing performance of the Group.

The segments 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.

The following is an analysis of the Group's revenue and results by reportable segments:

For the six months ended 30 June 2017 (unaudited)

	Casino management services HK\$'000	Gaming systems HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Segment revenue (<i>note</i>)	<u>399,069</u>	<u>90,207</u>		<u>489,276</u>
Segment results	<u>(50,938)</u>	<u>37,550</u>		(13,388)
Unallocated corporate income				384
Unallocated corporate expenses				(15,946)
Finance costs				<u>(5,987)</u>
Loss before taxation				(34,937)
Taxation				<u>(383)</u>
Loss for the period				<u>(35,320)</u>
Other information				
Capital expenditure	<u>7,732</u>	<u>804</u>	<u>21</u>	<u>8,557</u>
Amortisation of intangible assets	<u>6,069</u>	<u>—</u>	<u>—</u>	<u>6,069</u>
Depreciation of property, plant and equipment	<u>22,549</u>	<u>8,662</u>	<u>319</u>	<u>31,530</u>

For the six months ended 30 June 2016 (unaudited)

	Casino management services HK\$'000	Gaming systems HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Segment revenue (<i>note</i>)	<u>402,681</u>	<u>117,111</u>		<u>519,792</u>
Segment results	<u>(81,220)</u>	<u>(308,269)</u>		(389,489)
Unallocated corporate income				2
Unallocated corporate expenses				(14,664)
Finance costs				<u>(5,250)</u>
Loss before taxation				(409,401)
Taxation				<u>(1,052)</u>
Loss for the period				<u>(410,453)</u>
Other information				
Capital expenditure	<u>2,605</u>	<u>1,729</u>	<u>343</u>	<u>4,677</u>
Amortisation of intangible assets	<u>6,069</u>	<u>15,211</u>	<u>—</u>	<u>21,280</u>
Depreciation of property, plant and equipment	<u>40,184</u>	<u>7,794</u>	<u>345</u>	<u>48,323</u>

Note: Revenue under gaming systems segment reported above included the sharing of casino management services revenue earned indirectly through casino management services segment in the amount of HK\$63,258,000 (2016: HK\$69,206,000) during the six months ended 30 June 2017.

Segment revenue reported above did not include the intersegment revenue recognised by the gaming systems segment from the casino management services segment of HK\$9,333,000 (2016: HK\$9,333,000) during the six months ended 30 June 2017.

No analysis of the Group's assets and liabilities by operating and reportable segments is disclosed as it is not regularly provided to the chief operating decision maker.

5. FINANCE COSTS

	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest on obligations under finance leases	—	1
Imputed interest on promissory note	<u>5,987</u>	<u>5,249</u>
	<u>5,987</u>	<u>5,250</u>

6. LOSS BEFORE TAXATION

	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss before taxation has been arrived at after charging (crediting):		
Amortisation of intangible assets	6,069	21,280
Cost of inventories recognised as expenses	5,241	15,584
Depreciation of property, plant and equipment	31,530	48,323
Impairment loss recognised in respect of amount due from an associate	18	26
Loss arising from assignment of intangible assets (<i>note i</i>)	—	334,765
Operating lease rentals in respect of rented premises	44,199	43,805
Research and development expenditure (<i>note ii</i>)	9,691	8,928
Gain on disposal of property, plant and equipment	<u>(4,814)</u>	<u>(8)</u>

Notes:

- (i) During the six months ended 30 June 2016, various patents and patent applications in the United States relating to a computerised system for operating multi-gambling games with a net book value of HK\$435,775,000 were assigned by the Group to an independent third party for (i) a one-time, non-refundable and non-creditable upfront payment of US\$12,950,000 (equivalent to HK\$101,010,000) (the “Upfront Payment”); and (ii) earn-out payments (the “Earn-out Payments”) for the placements (by way of sale or lease) of the related licensed products based upon a flat fee per unit or a flat fee per unit per day for a period of 15 years after the assignment of the intangible assets.

As the economic benefits flowing to the Group in the form of the Earn-out Payments could not be reliably estimated in terms of amount, timing and duration, the remaining carrying amount of this class of intangible assets was fully written down upon the assignment. As a result, a loss arising from assignment of the intangible assets amounting to HK\$334,765,000 was recognised in profit or loss, after taking into account the Upfront Payment received, during the six months ended 30 June 2016.

- (ii) Research and development expenditure includes HK\$8,724,000 (2016: HK\$8,254,000) relating to staff costs, depreciation and operating lease rental paid.

7. TAXATION

	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current tax charge		
— Macau Complementary Tax (“CT”)	166	1,031
— PRC Enterprise Income Tax	200	15
— Other jurisdictions	17	6
	<u>383</u>	<u>1,052</u>

No provision for Hong Kong Profits Tax is made in the condensed consolidated financial statements as the Group did not generate any assessable profit in Hong Kong for the period. The provision for current period taxation is calculated on the assessable profit for operating subsidiaries established in Macau at the Macau CT rate of 12% (2016: 12%) prevailing in Macau and for operating subsidiaries established in the PRC at the PRC Enterprise Income Tax rate of 25% (2016: 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.

Pursuant to a confirmation letter issued by the Financial Services Bureau of Macau dated 7 January 2015, 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 any of the years ended 31 December 2012 to 2016 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 Macau dated 15 August 2017, the aforementioned exemption of Macau CT has been approved for each of the years ending 31 December 2017 to 2019 and the three months ending 31 March 2020.

Pursuant to an approval letter issued by the Financial Services Bureau of Macau dated 18 February 2015, LT Macau was allowed 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 Macau dated 15 August 2017, LT Macau was allowed to pay an annual lump sum dividend withholding tax of MOP389,000 (equivalent to HK\$378,000) for each of the years ending 31 December 2017 to 2019 and MOP97,000 (equivalent to HK\$94,000) for the three months ending 31 March 2020. For the six months ended 30 June 2017, provision for taxation of HK\$166,000 has been recognised which was charged to the condensed consolidated statement of profit or loss.

No deferred tax asset has been recognised in respect of unutilised tax losses due to the unpredictability of future profit streams.

8. DIVIDEND

No dividend was paid, declared or proposed in respect of both interim periods.

9. LOSS PER SHARE

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

	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss		
Loss for the period attributable to the owners of the Company for the purposes of basic and diluted loss per Share	<u>(40,221)</u>	<u>(416,843)</u>

	Six months ended 30 June	
	2017	2016
	(unaudited)	(unaudited)
Number of Shares		
Weighted average number of Shares for the purposes of basic and diluted loss per Share	<u>1,052,185,315</u>	<u>1,052,303,667</u>

Number of Shares

Weighted average number of Shares for the purposes of basic and diluted loss per Share

For the six months ended 30 June 2017, 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.

For the six months ended 30 June 2016, no diluted loss per Share was presented as there were no dilutive potential Shares.

10. PROPERTY, PLANT AND EQUIPMENT

	At 30 June	At 31 December
	2017	2016
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Net carrying amount		
Leasehold improvements	51,196	64,649
Plant and machinery	68,628	78,232
Furniture, fixtures and office equipment	12,466	13,855
Motor vehicles	<u>6,343</u>	<u>6,644</u>
	<u>138,633</u>	<u>163,380</u>

During the six months ended 30 June 2017, the Group spent HK\$8,557,000 on the acquisition of property, plant and equipment.

11. TRADE AND OTHER RECEIVABLES

	At 30 June 2017 HK\$'000 (unaudited)	At 31 December 2016 HK\$'000 (audited)
Trade receivables (<i>note i</i>)	77,129	102,141
Deposits	54,490	52,978
Loan receivable (<i>note ii</i>)	16,520	15,901
Chips on hand (<i>note iii</i>)	51,623	63,009
Other debtors and prepayments	<u>11,829</u>	<u>15,191</u>
	<u>211,591</u>	<u>249,220</u>

Notes:

- (i) Trade receivables comprise amounts receivable from the gaming partners 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.

The Group normally allows a credit period of 30 days on average to its gaming partners and customers.

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

Age	At 30 June 2017 HK\$'000 (unaudited)	At 31 December 2016 HK\$'000 (audited)
0 to 30 days	59,812	68,861
31 to 60 days	1,223	278
61 to 90 days	177	161
91 to 180 days	6,842	6,599
181 to 365 days	1,364	8,631
Over 365 days	<u>7,711</u>	<u>17,611</u>
	<u>77,129</u>	<u>102,141</u>

Included in the trade receivables are amounts of HK\$17,317,000 (31 December 2016: HK\$30,725,000) past due but not impaired. The Group did not provide any allowance on the past due receivables as there has not been a significant change in credit quality and the amounts are still considered recoverable based on historical experience. The Group does not hold any collateral over these balances.

- (ii) Pursuant to a loan agreement dated 5 October 2016, LT View Limited, a wholly-owned subsidiary of the Company incorporated in the BVI, 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 interest will 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 Limited, an indirect subsidiary of the Company incorporated in the BVI. On 5 October 2016, LT Japan was a company owned as to 5.05% by the Group and 35.16% by Mr. Pak Suil, respectively. Following the completion of a reorganisation of LT Japan on 30 December 2016, LT Japan has become a wholly-owned subsidiary of another company (the “Corporate”) and the Group and Mr. Pak Suil own 0.83% and 5.76% of the Corporate, respectively.
- (iii) Chips on hand represent chips issued by gaming concessionaires in Macau which can be exchanged into their cash amounts.

12. TRADE AND OTHER PAYABLES

	At 30 June 2017	At 31 December 2016
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Trade payables	59,700	109,090
Accrued staff costs	24,710	27,501
Accrued promotional expenses	19,500	17,600
Deposits received	8,335	16,627
Other payables and accruals	20,485	18,428
	132,730	189,246

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

	At 30 June 2017	At 31 December 2016
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Age		
0 to 30 days	24,333	42,376
31 to 60 days	4,797	9,784
61 to 90 days	364	4,716
91 to 365 days	27,807	11,610
Over 365 days	2,399	40,604
	59,700	109,090

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

13. PROMISSORY NOTE

	At 30 June 2017 HK\$'000 (unaudited)	At 31 December 2016 HK\$'000 (audited)
At the beginning of the reporting period/year	88,013	77,158
Imputed interest charged	5,987	10,855
Repayment during the period/year	(94,000)	—
	<u>—</u>	<u>88,013</u>

During the six months ended 30 June 2017, the promissory note was fully repaid on maturity.

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

14. SHARE CAPITAL

	Number of Shares '000	Amount HK\$'000
Shares of HK\$0.001 each		
Authorised:		
At 1 January 2016 (audited), 31 December 2016 (audited) and 30 June 2017 (unaudited)	<u>1,000,000,000</u>	<u>1,000,000</u>
Issued and fully paid:		
At 1 January 2016 (audited)	1,053,621	1,053
Cancellation of Shares repurchased	<u>(1,436)</u>	<u>(1)</u>
At 30 June 2016 (unaudited), 31 December 2016 (audited) and 30 June 2017 (unaudited)	<u>1,052,185</u>	<u>1,052</u>

15. OPERATING LEASE COMMITMENTS

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

	At 30 June 2017 HK\$'000 (unaudited)	At 31 December 2016 HK\$'000 (audited)
Within one year	50,433	46,284
In the second to fifth year inclusive	<u>43,134</u>	<u>63,805</u>
	<u>93,567</u>	<u>110,089</u>

Leases relate to a Director's quarter, warehouse facilities and office premises and are negotiated for terms ranging from 1 to 6 years.

16. CAPITAL COMMITMENTS

	At 30 June 2017 HK\$'000 (unaudited)	At 31 December 2016 HK\$'000 (audited)
Capital expenditure in respect of property, plant and equipment contracted for but not provided for in the condensed consolidated financial statements	<u>1,012</u>	<u>2,927</u>

17. RELATED PARTY TRANSACTIONS

Other than the related party transactions and balances disclosed elsewhere in these condensed consolidated financial statements, the Group had the following significant transactions and balances with its related parties:

	<u>Directors</u>		<u>Associate</u>		<u>Related parties</u>	
			Six months ended 30 June			
	2017	2016	2017	2016	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Sales of electronic gaming equipment and systems to <i>(note i)</i>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>12,733</u>
Loan interest income from <i>(note ii)</i>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>619</u>	<u>—</u>
Consultancy fee paid to <i>(note iii)</i>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>240</u>	<u>481</u>
Salaries and other benefits paid to <i>(note iv)</i>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,985</u>	<u>1,985</u>
	At	At	At	At	At	At
	30 June	31 December	30 June	31 December	30 June	31 December
	2017	2016	2017	2016	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(audited)	(unaudited)	(audited)	(unaudited)	(audited)
Amount due to <i>(note v)</i>	<u>986</u>	<u>3,709</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Amount due from <i>(note vi)</i>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

Notes:

- (i) The related parties are companies wholly-owned by the brother-in-law of Mr. Jay Chun, the Chairman and executive Director.
- (ii) The related company is LT Japan. Further details of the loan and the related company are set out in note 11.
- (iii) The related party is the brother-in-law of Mr. Jay Chun, the Chairman and an executive Director.
- (iv) The related party is the spouse of Mr. Jay Chun, the Chairman and an executive Director. The transactions were charged at pre-determined amounts agreed between the parties involved.
- (v) The amounts due to Directors are unsecured, interest-free and have no fixed terms of repayments.
- (vi) The amount due from an associate is unsecured, interest-free and has no fixed terms of repayments. As at 30 June 2017, the amount of HK\$6,168,000 (31 December 2016: HK\$6,150,000) was fully impaired.

18. CHANGE IN PRESENTATION OF COMPARATIVES

Some comparative figures of the condensed consolidated financial statements were reclassified to conform with current period's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Financial Review

Overview of Results

Total reported revenue of the Group for the six months ended 30 June 2017 was HK\$489.3 million, representing a decrease of 5.9% over that of HK\$519.8 million for the six months ended 30 June 2016. The decrease was partly due to the change of the contractual arrangement of the Casino Macau Jockey Club from provision of casino management services to revenue sharing from LMG terminals since 1 January 2017. A breakdown of the contribution of revenue by segments for the six months ended 30 June 2017 and 30 June 2016 is detailed below:

	Six months ended 30 June	
	2017	2016
	<i>HK\$ million</i>	<i>HK\$ million</i>
Casino management services	399.1	402.7
Gaming systems:		
Sale of electronic gaming equipment and systems	19.0	43.5
Leasing of electronic gaming equipment and systems	71.2	<u>73.6</u>
	90.2	<u>117.1</u>
Total reported revenue	<u>489.3</u>	<u>519.8</u>

Adjusted EBITDA for the six months ended 30 June 2017 was HK\$0.9 million, as compared to the loss of HK\$1.4 million for the six months ended 30 June 2016. The turnaround was mainly due to streamlining costs across casinos under management for the six months ended 30 June 2017. The following table reconciles Adjusted EBITDA to the loss for the period:

	Six months ended 30 June	
	2017	2016
	HK\$ million	HK\$ million
Loss for the period	(35.3)	(410.5)
Adjustments for:		
Interest income	(3.0)	(1.7)
Finance costs	6.0	5.3
Income tax expense	0.4	1.1
Depreciation of property, plant and equipment	31.5	48.3
Gain on disposal of property, plant and equipment	(4.8)	—
Amortisation of intangible assets	6.1	21.3
Loss arising from assignment of intangible assets	—	334.8
	<u> </u>	<u> </u>
Adjusted EBITDA	<u>0.9</u>	<u>(1.4)</u>

An analysis of Adjusted EBITDA by segments is as follows:

	Six months ended 30 June	
	2017	2016
	HK\$ million	HK\$ million
Casino management services	(28.4)	(36.2)
Gaming systems	44.9	49.1
	<u> </u>	<u> </u>
Sub-total	16.5	12.9
Unallocated corporate expenses	(15.6)	(14.3)
	<u> </u>	<u> </u>
Adjusted EBITDA	<u>0.9</u>	<u>(1.4)</u>

The Adjusted EBITDA from casino management services recorded a loss of HK\$28.4 million for the six months ended 30 June 2017, representing a decrease of 21.5% from the loss of HK\$36.2 million for the six months ended 30 June 2016. The decrease in loss from the casino management services segment was mainly due to streamlining costs across casinos under management for the six months ended 30 June 2017 when compared to that for the six months ended 30 June 2016. The Adjusted EBITDA from the gaming systems segment was HK\$44.9 million, representing a decrease of 8.6% over that of HK\$49.1 million for the six months ended 30 June 2016. The Adjusted EBITDA from operations of the

Group excluding unallocated corporate expenses for the six months ended 30 June 2017 was HK\$16.5 million, representing an increase of 27.9% over that of HK\$12.9 million for the six months ended 30 June 2016.

The Group's loss for the six months ended 30 June 2017 was HK\$35.3 million, as compared to the loss of HK\$410.5 million for the six months ended 30 June 2016. The significant decrease in loss of the Group was mainly because the loss for the six months ended 30 June 2016 included 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 patents and associated technology to IGT in April 2016. Excluding this one-off loss, the Group's loss for the six months ended 30 June 2016 would be HK\$75.7 million and based on such figure, the Group's loss for the six months ended 30 June 2017 was reduced by 53.4% to HK\$35.3 million.

Casino Management Services

For the six months ended 30 June 2017, revenue generated by the provision of casino management services contributed 81.6% to the total reported revenue of the Group, as compared to 77.5% recorded for the six months ended 30 June 2016.

The following table sets forth data on the provision of casino management services for the six months ended 30 June 2017 and 30 June 2016:

	Six months ended 30 June						
	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	946	306	1,252	930	300	172	1,402
Slot machines	<u>162</u>	<u>160</u>	<u>322</u>	<u>194</u>	<u>180</u>	<u>—</u>	<u>374</u>

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

For the six months ended 30 June 2017, the Group recorded revenue of HK\$399.1 million from the casino management services segment, representing a slight decrease of 0.9% over that of HK\$402.7 million for the six months ended 30 June 2016. The Group mainly focuses on the mass market segment which depends on same-day and short-stay visitation to Macau. Our casino management services performance has been progressively stabilised from a recovery market condition.

The following tables set out certain key operational data of mass gaming tables, LMG terminals and slot machines in the Group's two major casino operations for the six months ended 30 June 2017 and 30 June 2016:

		Casino Kam Pek			
		Paradise		Casino Waldo	
		Six months ended 30 June			
		2017	2016	2017	2016
Traditional gaming tables					
GGR	<i>(HK\$ million)</i>	331.9	310.4	191.1	192.3
Gaming tables	<i>(Average no. of tables)</i>	38	37	25	26
Net win/table/day	<i>(HK\$ thousand)</i>	48.3	46.1	42.2	40.6
LMG tables					
GGR	<i>(HK\$ million)</i>	234.4	250.4	53.2	44.3
Terminals	<i>(Average no. of terminals/tables)</i>	946/10	930/10	306/5	300/4
Net win/terminal/day	<i>(HK\$)</i>	1,369	1,479	961	811
Net win/LMG table/day	<i>(HK\$ thousand)</i>	129.5	137.6	58.8	60.9
Total gaming tables					
GGR	<i>(HK\$ million)</i>	566.3	560.8	244.3	236.6
Gaming tables	<i>(Average no. of tables)</i>	48	47	30	30
Net win/table/day	<i>(HK\$ thousand)</i>	65.2	65.6	45.0	43.3
Slot					
GGR	<i>(HK\$ million)</i>	21.4	36.9	4.7	2.5
Slot machines	<i>(Average no. of units)</i>	162	194	160	180
Net win/slot/day	<i>(HK\$)</i>	730	1,045	162	76
Total GGR	<i>(HK\$ million)</i>	<u>587.7</u>	<u>597.7</u>	<u>249.0</u>	<u>239.1</u>

Gaming Systems

The Group's revenue from gaming systems segment consisted of income received from selling electronic gaming equipment and systems as well as revenue sharing from LMG terminals in the Macau and overseas markets.

For the six months ended 30 June 2017, revenue from gaming systems segment contributed 18.4% to the total reported revenue of the Group, as compared to 22.5% for the six months ended 30 June 2016.

The following table shows a breakdown of revenue from the gaming systems segment for the six months ended 30 June 2017 and 30 June 2016:

	Six months ended 30 June	
	2017	2016
	<i>HK\$ million</i>	<i>HK\$ million</i>
Sale of electronic gaming equipment and systems	19.0	43.5
Leasing of electronic gaming equipment and systems	71.2	73.6
Total revenue from gaming systems	90.2	117.1

The revenue from the gaming systems segment was HK\$90.2 million for the six months ended 30 June 2017, a decrease of 23.0% over that of HK\$117.1 million for the six months ended 30 June 2016.

Sale of Electronic Gaming Equipment and Systems

For the six months ended 30 June 2017, the Group deployed a total 78 LMG terminals (for the six months ended 30 June 2016: 120) at casinos in Macau, including Wynn Macau and Legend Palace Casino at the Macau Fisherman's Wharf.

Revenue Sharing from LMG Terminals

The following tables set out certain key operational data of LMG terminals and the revenue sharing for the six months ended 30 June 2017 and 30 June 2016:

		Six months ended 30 June	
		2017	2016
GGR from LMG terminals	<i>(HK\$ million)</i>	316.3	335.8
No. of LMG terminals	<i>(Average no. of terminals)</i>	1,658	1,675
Net win/terminal/day	<i>(HK\$)</i>	1,054	1,102
Revenue sharing	<i>(HK\$ million)</i>	70.0	73.6

ETG Distribution from IGT

Since the execution of the Agreement with IGT on 25 April 2016, 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. This partnership will enable the Group to expand its global presence and create long-term sustainable businesses to the Group.

PROSPECTS

After a 26-month slump in gross gaming revenue, Macau has since August 2016 shown growth in gross gaming revenue for 12 consecutive months. Macau gaming revenue for the six months ended 30 June 2017 was MOP126.4 billion, representing an increase of 17.2% over that for the six months ended 30 June 2016. Macau's total visitor arrivals for the six months ended 30 June 2017 were 15.6 million, representing an increase of 5.4% over that for the six months ended 30 June 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.

We saw a laggard effect from the operation of satellite casinos on market recovery. On the other hand, after a slow performance in terms of gross gaming revenue of the casinos under our management in the first quarter of this year, we were gradually recovering from the second quarter of this year even though same-day visitor arrivals from China and Hong Kong all together registered a 2.4% year-on-year decline in the first half of this year. Nevertheless, we have been seeing trend of improvement of foot traffic and patron quality to our casinos under management this year. This is attributable to management's stringent focus on driving profitability through improving efficiencies combined with increase in higher margin electronic gaming revenue.

In July 2017, Xinhua News Agency reported that Hong Kong-Zhuhai-Macao Bridge subsea tunnel has been connected. It is the world's longest sea bridge connecting Hong Kong, Zhuhai and Macau. It will establish a new land transport link between the east and west coasts of the Pearl River region, evolving economic and sustainable development among the areas. Together with the further improvement of border gates capacity on the Macau Peninsula, all these infrastructures will definitely facilitate visitation foot traffic to Macau, and eventually boost gaming demand, especially on the mass segment.

The Group always retains a positive view on the Macau gaming industry. As part of its long-term growth strategy, on 29 June 2017, the Group entered into a letter of intent with China Star Entertainment Limited and China Star Entertainment (BVI) Limited (a wholly-owned subsidiary of China Star Entertainment Limited) in relation to the proposed acquisition of the group of the target companies which owns and operates Hotel Lan Kwai Fong Macau and residential units which are currently being used as staff quarters. Further details of the proposed acquisition are set out in the section headed "Proposed Acquisition" of this announcement. The proposed acquisition is in line with the Group's business strategies and represents a development of the Group's existing casino management service business. In addition, having its own hotel business will enable the Group to

directly provide hospitality services to its patrons (instead of relying on hospitality services provided by other hotels) to support the Group's existing casino management service business. The Group will continue to look for potential opportunities in Macau and elsewhere to expand its business and to increase its market share in the gaming industry.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2017.

LIQUIDITY AND FINANCIAL RESOURCES

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

As at 30 June 2017, the consolidated net assets of the Group amounted to HK\$588.7 million, representing a decrease of HK\$34.1 million or 5.5% from HK\$622.8 million as at 31 December 2016. The decrease in consolidated net assets of the Group during the six months ended 30 June 2017 was mainly due to the Group's loss of HK\$35.3 million for the six months ended 30 June 2017.

Bank Balances and Cash, and Chips on Hand

As at 30 June 2017, the Group held bank balances and cash of HK\$200.0 million and chips on hand of HK\$51.6 million. Included in the bank balances and cash as at 30 June 2017 were fixed deposits of HK\$105.3 million placed at banks in Macau and Hong Kong with maturities ranging from 2 to 3 months. The fixed deposits were denominated in HK\$ and US\$.

Borrowings and Gearing Ratio

As at 30 June 2017, other than the amounts due to Directors of HK\$1.0 million which were unsecured, interest-free and had no fixed terms of repayment, the Group had no outstanding borrowing.

The Group's gearing ratio (expressed as a percentage of borrowings over net assets) as at 30 June 2017 was 0.17% (31 December 2016: 14.7%). The decrease in the Group's gearing ratio during the six months ended 30 June 2017 was mainly due to the settlement of the outstanding promissory note of principal amount of HK\$94.0 million on maturity during the period.

As at 30 June 2017, the Group had net cash (being total of bank balances and cash, and chips on hand less borrowings) of HK\$250.6 million (31 December 2016: HK\$279.0 million).

PROPOSED ACQUISITION

On 29 June 2017 (after trading hours), the Company entered into a letter of intent (the “LOI”) with China Star Entertainment Limited (“China Star”) (stock code: 326) and China Star Entertainment (BVI) Limited (the “Seller”) (a wholly-owned subsidiary of China Star) in relation to the proposed acquisition of: (i) the entire issued share capital of each of Most Famous Enterprises Limited, Exceptional Gain Profits Limited and Charming Era Investment Limited (all companies are incorporated in the BVI) (collectively the “Target Companies”) and (ii) the related shareholder loans of the Target Companies from the Seller (the “Proposed Acquisition”).

The total purchase price for the Proposed Acquisition will be HK\$2,380.0 million subject to adjustment to be detailed in a formal sale and purchase agreement, and is expected to be satisfied by the Group from its internal resources and/or external financing.

The group of the Target Companies owns and operates Hotel Lan Kwai Fong Macau and residential units which are currently being used as staff quarters. Hotel Lan Kwai Fong Macau has a total of 209 guest rooms, a casino situated on the ground, first and 18th floors, a couple of restaurants, a flower shop, a couple of retail shops and a spa centre.

The Proposed Acquisition, if materialised, may constitute a very substantial acquisition for the Company under Chapter 14 of the Listing Rules. If the Company proceeds with the Proposed Acquisition, it will enter into legally binding agreement(s) with the Seller in respect of the Proposed Acquisition and will make further announcement as and when appropriate in compliance with the Listing Rules.

Further details of the LOI and the Proposed Acquisition were set out in the Company’s announcement dated 29 June 2017.

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, the credit balance of the contributed surplus account of the Company was increased by HK\$927.2 million to HK\$1,068.4 million.

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. No warrant has been exercised up to the date of this announcement. Further details of the unlisted warrants are 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.

CAPITAL COMMITMENTS

Particulars of the Company's significant capital commitments as at 30 June 2017 are set out in note 16 to the condensed 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 30 June 2017, the Group did not have any assets pledged.

CONTINGENT LIABILITIES

As at 30 June 2017, the Group did not have any contingent liabilities.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2017, the Group had approximately 1,200 employees, including approximately 730 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Directors' and Chief Executive's Interests in Securities

As at 30 June 2017, the interests and short positions of the Directors and the chief executives of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Name of Directors	Name of company/ associated corporation	Capacity/ nature of interests	Number of Shares ⁽¹⁾	Approximate aggregate percentage of interests ⁽⁴⁾
Mr. Jay Chun	The Company	Beneficial owner	124,160	0.01%
	The Company	Interest of controlled corporation	630,836,720 ⁽²⁾	59.95%
			<u>630,960,880</u>	<u>59.96%</u>
Mr. Shan Shiyong, alias, Sin Sai Yung	The Company	Interest of controlled corporation	26,097,580 ⁽³⁾	2.48%

Notes:

- (1) All interests in Shares stated above represent long positions.
- (2) These Shares were held by August Profit Investments Limited, a company which is wholly-owned by Mr. Jay Chun, an executive Director.
- (3) These Shares were held by Best Top Offshore Limited, a company which is wholly-owned by Mr. Shan Shiyong, alias, Sin Sai Yung, an executive Director.
- (4) The percentage represents the number of Shares interested divided by the number of issued Shares as at 30 June 2017.

Save as disclosed, none of the Directors and the chief executives of the Company was interested or had any short position in any Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as at 30 June 2017.

Share Options

At the 2017 AGM, the Company adopted a new share option scheme of the Company (the "New Share Option Scheme"), in view of the previous share option scheme of the Company expiring on 29 July 2017, for the purpose of providing incentives or rewards to the eligible participants for the contribution to the success of the Group's operations. Eligible participants of the New Share Option Scheme include,

among others, the Directors, including independent non-executive Directors, full-time or part-time employees, executives or officers of the Group, advisors, consultants, suppliers, customers and agents. The New Share Option Scheme will be valid and effective for a period of ten years from the date of adoption of the scheme.

No options were granted by the Company under any share option scheme of the Company and no equity settled employees benefit (including Directors' emoluments) was recognised during the six months ended 30 June 2017. There was no share option outstanding under any share option scheme during the six months ended 30 June 2017.

As at the date of this announcement, the total number of share options available for issue under the New Share Option Scheme is 105,218,531 share options, representing 10% of the Shares in issue as at the date of adoption of the New Share Option Scheme, that is 25 May 2017.

Substantial Shareholders' Interests in Shares

As at 30 June 2017, according to the register of interests kept by the Company under section 336 of the SFO, and so far as was known to the Directors or chief executive of the Company, the following persons or corporations, other than Directors or chief executive of the Company, had an interest in the Shares of the Company, which would require to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at a general meeting of the Company:

Name of company	Number of Shares⁽¹⁾	Approximate percentage of interests⁽³⁾
August Profit Investments Limited ⁽²⁾	630,836,720	59.95%
FIL Limited	84,148,000	7.99%

Notes:

- (1) All interests in Shares stated above represent long positions.
- (2) August Profit Investments Limited is wholly-owned by Mr. Jay Chun, an executive Director.
- (3) The percentage represents the number of Shares interested divided by the number of issued Shares as at 30 June 2017.

Save as disclosed above, as at 30 June 2017, the Company had not been notified of any person or corporation who was interested in or had a short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company under section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 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 2017 AGM. Save as disclosed, there were no other changes in the Company's independent auditor in the past three years.

UPDATE ON DIRECTORS' INFORMATION

Biographical details of each of the Directors are set out in the Annual Report 2016 of the Company dated 29 March 2017.

The Company is not aware of any changes in the Directors' information which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the date of the Annual Report 2016 of the Company.

CORPORATE GOVERNANCE

Compliance with the Corporate Governance Code

In the opinion of the Board, the Company has complied with the CG Code throughout the six months ended 30 June 2017, save for the following deviations:

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 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 for Securities Transactions by Directors of Listed Issuers

The Company has adopted the Model Code as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, all Directors have confirmed that they had fully complied with the required standard set out in the Model Code during the six months ended 30 June 2017.

REVIEW OF INTERIM REPORT 2017 AND UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The Interim Report 2017 including the unaudited condensed consolidated financial statements of the Company for the six months ended 30 June 2017 has been reviewed by the audit committee of the Company. The unaudited condensed consolidated financial statements of the Company for the six months ended 30 June 2017 have also been reviewed by the Company's independent auditor in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

EVENTS AFTER THE REPORTING PERIOD

There is no event after the reporting period which is required to be disclosed.

DEFINITIONS

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

"2017 AGM"	the annual general meeting of the Company held on 25 May 2017
"Adjusted EBITDA"	the Group's profit or loss for the period 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, where applicable
"Agreement"	The Patent and Technology Assignment and License Agreement dated 25 April 2016 entered into between the Group and IGT
"Board"	the board of Directors

“BVI”	the British Virgin Islands
“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
“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 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
“HKICPA”	Hong Kong Institute of Certified Public Accountants
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“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
“LMG”	live multi game
“Macau”	the Macao Special Administrative Region of the People’s Republic of China
“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

“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“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
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent

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

Hong Kong, 22 August 2017

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.