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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 2018

#### RESULTS

The Board announces the unaudited consolidated interim results of the Group for the six months ended 30 June 2018 as follows:

#### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2018

	Notes	Six months ended 30 June	
		2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Revenue	3	563,928	489,276
Cost of sales and services		<u>(317,051)</u>	<u>(308,046)</u>
Gross profit		246,877	181,230
Other income, gains and losses		7,492	14,294
Marketing, selling and distribution costs		(107,336)	(105,033)
Operating and administrative expenses		(114,418)	(113,372)
Amortisation of intangible assets		(6,069)	(6,069)
Finance costs	5	<u>—</u>	<u>(5,987)</u>
Profit (loss) before taxation	6	26,546	(34,937)
Taxation	7	<u>(225)</u>	<u>(383)</u>
Profit (loss) for the period		<u>26,321</u>	<u>(35,320)</u>
Profit (loss) for the period attributable to:			
— owners of the Company		25,313	(40,221)
— non-controlling interests		<u>1,008</u>	<u>4,901</u>
		<u>26,321</u>	<u>(35,320)</u>
Earnings (loss) per Share:	9		
Basic		<u>HK2.4 cents</u>	<u>HK(3.8) cents</u>
Diluted		<u>N/A</u>	<u>HK(3.8) cents</u>

\* For identification purposes only

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

*For the six months ended 30 June 2018*

	<b>Six months ended 30 June</b>	
	<b>2018</b>	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(unaudited)</b>	(unaudited)
Profit (loss) for the period	<b>26,321</b>	(35,320)
Other comprehensive (expense) income:		
<i>Item 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	<u>(271)</u>	<u>—</u>
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of foreign operations	<b>(469)</b>	158
Fair value gain on available-for-sale investment in equity securities	<u>—</u>	<u>1,082</u>
	<u>(469)</u>	<u>1,240</u>
Other comprehensive (expense) income for the period	<u>(740)</u>	<u>1,240</u>
Total comprehensive income (expense) for the period	<u><b>25,581</b></u>	<u>(34,080)</u>
Total comprehensive income (expense) for the period attributable to:		
— owners of the Company	<b>24,625</b>	(39,177)
— non-controlling interests	<u><b>956</b></u>	<u>5,097</u>
	<u><b>25,581</b></u>	<u>(34,080)</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2018

		At 30 June 2018	At 31 December 2017
	<i>Notes</i>	<i>HK\$'000</i> (unaudited)	<i>HK\$'000</i> (audited)
<b>Non-current assets</b>			
Property, plant and equipment	<i>10</i>	118,163	134,920
Intangible assets		86,988	93,057
Available-for-sale investment in equity securities		—	2,706
Investment in equity instruments designated at fair value through other comprehensive income		2,435	—
Other assets	<i>11</i>	<u>30,770</u>	<u>15,650</u>
		<u>238,356</u>	<u>246,333</u>
<b>Current assets</b>			
Inventories		53,800	62,675
Trade and other receivables	<i>12</i>	177,280	169,646
Finance lease receivables		—	11,393
Amount due from a related company		508	583
Pledged bank deposit	<i>13</i>	28,800	—
Bank balances and cash		<u>230,185</u>	<u>250,848</u>
		<u>490,573</u>	<u>495,145</u>
<b>Current liabilities</b>			
Trade and other payables	<i>14</i>	111,867	148,882
Amounts due to Directors		2,037	2,973
Taxation payable		<u>11,689</u>	<u>11,868</u>
		<u>125,593</u>	<u>163,723</u>
<b>Net current assets</b>		<u>364,980</u>	<u>331,422</u>
<b>Total assets less current liabilities</b>		<u>603,336</u>	<u>577,755</u>

	At <b>30 June</b> <b>2018</b> <i>HK\$'000</i> <b>(unaudited)</b>	At 31 December 2017 <i>HK\$'000</i> (audited)
<b>Capital and reserves</b>		
Share capital	1,052	1,052
Reserves	<u>550,224</u>	<u>525,599</u>
Equity attributable to owners of the Company	<b>551,276</b>	526,651
Non-controlling interests	<u>52,060</u>	<u>51,104</u>
	<b><u>603,336</u></b>	<b><u>577,755</u></b>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

## 1. GENERAL

The Company was incorporated in Bermuda as an exempted company with limited liability and its 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 and investment in equity instruments designated at fair value through other comprehensive income, which is measured at fair value at the end of each reporting period.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2018 are the same as those followed in the preparation of the annual financial statements of the Group for the year ended 31 December 2017.

Except for application of HKFRS 9 and HKFRS 15, the application of other new and amendments to HKFRSs in the current interim period has had no material effect on the Group’s financial performance and positions for the current and prior interim periods and/or disclosures set out in these condensed consolidated financial statements.

### Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatorily effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group’s condensed consolidated financial statements:

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 applied Amendments to HKFRS 9 Prepayment Features with Negative Compensation in advance of the effective date, i.e. 1 January 2019.

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

### ***Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers***

The Group has applied HKFRS 15 for the first time in the current interim period. 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.

### ***Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments***

In the current period, the Group has applied HKFRS 9 Financial Instruments 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 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) 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.

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

### 3. REVENUE

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

	Six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
<b>Recognised over time:</b>		
Casino management services:		
Provision of casino management services	<u>509,162</u>	<u>462,327</u>
Electronic gaming equipment and systems:		
Leasing of electronic gaming equipment and systems	<u>3,960</u>	<u>6,698</u>
Royalty income	<u>929</u>	<u>1,267</u>
	<u>4,889</u>	<u>7,965</u>
	<b>514,051</b>	<b>470,292</b>
<b>Recognised at a point in time:</b>		
Electronic gaming equipment and systems:		
Sale of electronic gaming equipment and systems	<u>49,877</u>	<u>18,984</u>
	<u><b>563,928</b></u>	<u><b>489,276</b></u>

### 4. SEGMENT INFORMATION

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

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

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

Information regarding the above segments is reported below:

**For the six months ended 30 June 2018 (unaudited)**

	<b>Casino management services HK\$'000</b>	<b>Gaming systems HK\$'000</b>	<b>Unallocated HK\$'000</b>	<b>Consolidated HK\$'000</b>
Segment revenue	<u>509,162</u>	<u>54,766</u>		<u>563,928</u>
Segment results	<u>47,956</u>	<u>(6,390)</u>		41,566
Unallocated corporate income				7
Unallocated corporate expenses				<u>(15,027)</u>
Profit before taxation				26,546
Taxation				<u>(225)</u>
Profit for the period				<u>26,321</u>
Other information				
Capital expenditure	8,128	4,822	160	13,110
Amortisation of intangible assets	6,069	—	—	6,069
Depreciation of property, plant and equipment	<u>25,672</u>	<u>2,850</u>	<u>592</u>	<u>29,114</u>



For the six months ended 30 June 2017 (unaudited)

	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>462,327</u>	<u>26,949</u>		<u>489,276</u>
Segment results	<u>701</u>	<u>(14,089)</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	7,732	804	21	8,557
Amortisation of intangible assets	6,069	—	—	6,069
Depreciation of property, plant and equipment	<u>28,359</u>	<u>2,852</u>	<u>319</u>	<u>31,530</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.

## 5. FINANCE COSTS

	<b>Six months ended 30 June</b>	
	<b>2018</b>	2017
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
	<b>(unaudited)</b>	(unaudited)
Imputed interest on promissory note	<u>—</u>	<u>5,987</u>

## 6. PROFIT (LOSS) BEFORE TAXATION

<b>Six months ended 30 June</b>	
<b>2018</b>	<b>2017</b>
<b>HK\$'000</b>	<b>HK\$'000</b>
<b>(unaudited)</b>	<b>(unaudited)</b>

Profit (loss) before taxation has been arrived at after charging (crediting):

Amortisation of intangible assets	6,069	6,069
Cost of inventories recognised as expenses	15,001	5,241
Depreciation of property, plant and equipment	29,114	31,530
Impairment loss recognised in respect of amount due from an associate	—	18
Operating lease rentals in respect of rented premises	31,024	29,700
Research and development expenditure ( <i>note</i> )	30,289	18,638
Loss (gain) on disposal of property, plant and equipment	<u>2</u>	<u>(4,814)</u>

*Note:* Research and development expenditure for the six months ended 30 June 2018 of HK\$30,289,000 (six months ended 30 June 2017: HK\$18,638,000) includes staff costs of HK\$16,883,000 (six months ended 30 June 2017: HK\$11,966,000), depreciation expenses of HK\$461,000 (six months ended 30 June 2017: HK\$503,000), operating lease expenses of HK\$1,171,000 (six months ended 30 June 2017: HK\$1,036,000) and other expenses of HK\$11,774,000 (six months ended 30 June 2017: HK\$5,133,000).

## 7. TAXATION

<b>Six months ended 30 June</b>	
<b>2018</b>	<b>2017</b>
<b>HK\$'000</b>	<b>HK\$'000</b>
<b>(unaudited)</b>	<b>(unaudited)</b>

Current tax charge		
— Lump Sum Dividend Tax	189	166
— PRC Enterprise Income Tax	36	200
— Tax in other jurisdictions	<u>—</u>	<u>17</u>
	<u>225</u>	<u>383</u>

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

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

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 Dispatch 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 was obligated to pay an annual lump sum dividend withholding tax of MOP389,000 (equivalent to HK\$378,000) for each of the years ended/ending 31 December 2017 to 2019 and MOP97,000 (equivalent to HK\$94,000) for the three months ending 31 March 2020 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. For the six months ended 30 June 2018, provision for taxation of HK\$189,000 (six months ended 30 June 2017: 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 the unused tax losses due to the unpredictability of future taxable profit streams.

## 8. DIVIDEND

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

## 9. EARNINGS (LOSS) PER SHARE

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

	<b>Six months ended 30 June</b>	
	<b>2018</b>	<b>2017</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Profit (loss) for the period attributable to the owners of the Company for the purposes of basic and diluted earnings (loss) per Share	<b>25,313</b>	<b>(40,221)</b>

	<b>Six months ended 30 June</b>	
	<b>2018</b>	<b>2017</b>
	<b>'000</b>	<b>'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
	<b>1,052,185</b>	<b>1,052,185</b>

### Number of Shares

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

	<b>1,052,185</b>	<b>1,052,185</b>
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For the six months ended 30 June 2018, no diluted earnings per Share was presented as there were no dilutive potential ordinary shares.

For the six months ended 30 June 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.

## 10. PROPERTY, PLANT AND EQUIPMENT

	At 30 June 2018 <i>HK\$'000</i> (unaudited)	At 31 December 2017 <i>HK\$'000</i> (audited)
<b>Carrying amounts</b>		
Leasehold improvements	46,012	47,672
Plant and machinery	57,578	70,233
Furniture, fixtures and office equipment	8,873	10,396
Motor vehicles	<u>5,700</u>	<u>6,619</u>
	<u><b>118,163</b></u>	<u><b>134,920</b></u>

During the six months ended 30 June 2018, the Group incurred HK\$13,110,000 (six months ended 30 June 2017: HK\$8,557,000) on acquisition of property, plant and equipment.

## 11. OTHER ASSETS

	At 30 June 2018 <i>HK\$'000</i> (unaudited)	At 31 December 2017 <i>HK\$'000</i> (audited)
Deposits paid for acquisitions of property, plant and equipment	22,510	6,862
Rental deposits	<u>8,260</u>	<u>8,788</u>
	<u><b>30,770</b></u>	<u><b>15,650</b></u>

## 12. TRADE AND OTHER RECEIVABLES

	At 30 June 2018 HK\$'000 (unaudited)	At 31 December 2017 HK\$'000 (audited)
Trade receivables, net ( <i>note i</i> )	73,861	65,258
Chips on hand ( <i>note ii</i> )	34,912	33,607
Deposits paid	41,566	42,198
Loan receivable ( <i>note iii</i> )	15,600	15,600
Other receivables and prepayments ( <i>note iii</i> )	<u>11,341</u>	<u>12,983</u>
	<u><b>177,280</b></u>	<u><b>169,646</b></u>

### Notes:

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

Before accepting any new customer, the Group gathers and assesses the credit information of the potential customer in considering the customer's quality and determining the credit limits for that customer. Recoverability and credit limit of the existing customers are reviewed by the Group regularly. At the end of the reporting period, included in the Group's trade receivable balances are receivables with aggregate carrying amount of HK\$61,141,000 (31 December 2017: HK\$62,070,000), which are neither past due nor impaired.

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

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

Age:	At 30 June 2018 HK\$'000 (unaudited)	At 31 December 2017 HK\$'000 (audited)
0–30 days	61,208	62,076
31–60 days	218	1,043
61–90 days	593	390
91–180 days	10,270	830
181–365 days	1,374	324
Over 365 days	<u>198</u>	<u>595</u>
	<u><b>73,861</b></u>	<u><b>65,258</b></u>

Included in balance of the Group's trade receivables (net of allowance) are receivables with an aggregate carrying amount of HK\$12,720,000 (31 December 2017: HK\$3,188,000), which is past due at the end of the reporting period for which the Group has not provided for impairment loss. The trade receivables which are past due but not impaired were either settled subsequent to the end of the reporting period or amounts due from receivables which do not have historical default of payments. The Group does not hold any collateral over these balances.

- (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 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 loan is unsecured and guaranteed by Mr. Pak Suil, who holds an 18% shareholding in, and is a director of, LT Game. Pursuant to the loan agreement and the two amendments to the loan agreement dated 4 October 2017 and 4 April 2018 (collectively referred to as the "Loan Agreement"), the maturity date of the loan principal and accrued interest thereon is 5 October 2018.

At 30 June 2018, HK\$2,168,000 (31 December 2017: HK\$1,549,000) was included in other receivables and prepayments in respect of the interest receivable pursuant to the Loan Agreement.

### **13. PLEDGED BANK DEPOSIT**

The amount represents a bank deposit pledged to secure a bank facility granted 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.

#### 14. TRADE AND OTHER PAYABLES

	At 30 June 2018 <i>HK\$'000</i> (unaudited)	At 31 December 2017 <i>HK\$'000</i> (audited)
Trade payables	33,407	38,183
Accrued staff costs	27,568	28,610
Accrued promotional expenses	30,983	29,403
Deposits received	1,021	29,793
Other sundry payables	11,083	14,892
Other accrued expenses	7,805	8,001
	<u>111,867</u>	<u>148,882</u>

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

Age:	At 30 June 2018 <i>HK\$'000</i> (unaudited)	At 31 December 2017 <i>HK\$'000</i> (audited)
0–30 days	19,796	10,711
31–60 days	183	4,893
61–90 days	2,234	3,104
91–365 days	6,165	14,334
Over 365 days	5,029	5,141
	<u>33,407</u>	<u>38,183</u>

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

## 15. OPERATING LEASE COMMITMENTS

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

	At <b>30 June</b> <b>2018</b> <i>HK\$'000</i> <b>(unaudited)</b>	At 31 December 2017 <i>HK\$'000</i> <b>(audited)</b>
Within one year	<b>73,460</b>	41,666
In the second to fifth year inclusive	<u><b>17,658</b></u>	<u>33,942</u>
	<u><b>91,118</b></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 (31 December 2017: one to six) years.

## 16. CAPITAL COMMITMENTS

	At <b>30 June</b> <b>2018</b> <i>HK\$'000</i> <b>(unaudited)</b>	At 31 December 2017 <i>HK\$'000</i> <b>(audited)</b>
Capital expenditure in respect of property, plant and equipment contracted for but not provided for in the condensed consolidated financial statements	<u><b>117,311</b></u>	<u>5,773</u>



## 17. RELATED PARTY TRANSACTIONS

Except for disclosure elsewhere in the condensed consolidated financial statements, the Group had the following significant transactions during the reporting period with related parties:

	Six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Sale of electronic gaming equipment and systems ( <i>note i</i> )	376	—
Consultancy fee ( <i>note ii</i> )	270	240
Staff costs ( <i>note iii</i> )	<u>2,481</u>	<u>1,985</u>

### Notes:

- (i) The related party is a company wholly-owned by the brother-in-law of Mr. Jay Chun, the chairman and an executive Director. These transactions constitute continuing connected transactions for the purpose of Chapter 14A of the Listing Rules.
- (ii) The related party is the brother-in-law of Mr. Jay Chun, the chairman and an executive Director.
- (iii) 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business and Financial Review

#### *Overview of Results*

Total reported revenue of the Group for the six months ended 30 June 2018 was HK\$563.9 million, representing an increase of 15.2% over that of HK\$489.3 million for the six months ended 30 June 2017. The increase was mainly due to an increase in revenue from provision of casino management services as a result of an increase in 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:

	<b>Six months ended 30 June</b>	
	<b>2018</b>	<b>2017</b>
	<b>HK\$ million</b>	<b>HK\$ million</b>
Casinos under the Group's management:		
Casino Kam Pek Paradise	<b>374.6</b>	320.8
Casino Waldo	<b>134.6</b>	141.5
	<b>509.2</b>	462.3
Electronic gaming equipment and systems:		
Sale of electronic gaming equipment and systems	<b>49.9</b>	19.0
Leasing of electronic gaming equipment and systems*	<b>3.9</b>	6.7
Royalty income from IGT	<b>0.9</b>	1.3
	<b>54.7</b>	27.0
Total reported revenue	<b>563.9</b>	489.3

\*: *Leasing revenue for the six months ended 30 June 2018 did not include the intercompany revenue derived from the LMG terminals deployed at casinos under the Group's management amounting to HK\$75.2 million (six months ended 30 June 2017: HK\$63.2 million) which was included in the revenue of respective casinos under the Group's management in the above table*

Adjusted EBITDA for the six months ended 30 June 2018 was HK\$59.7 million, when compared to that of HK\$0.9 million for the six months ended 30 June 2017. The following table reconciles profit (loss) for the period to Adjusted EBITDA:

	<b>Six months ended 30 June</b>	
	<b>2018</b>	<b>2017</b>
	<i>HK\$ million</i>	<i>HK\$ million</i>
Profit (loss) for the period	<b>26.3</b>	(35.3)
Adjustments for:		
Interest income	<b>(2.0)</b>	(3.0)
Finance costs	—	6.0
Income tax expense	<b>0.2</b>	0.4
Depreciation of property, plant and equipment	<b>29.1</b>	31.5
Gain on disposal of property, plant and equipment	—	(4.8)
Amortisation of intangible assets	<b>6.1</b>	6.1
	<u>6.1</u>	<u>6.1</u>
Adjusted EBITDA	<u><b>59.7</b></u>	<u>0.9</u>

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

	<b>Six months ended 30 June</b>	
	<b>2018</b>	<b>2017</b>
	<i>HK\$ million</i>	<i>HK\$ million</i>
Casinos under the Group's management:		
Casino Kam Pek Paradise	<b>103.8</b>	43.2
Casino Waldo	<b>(25.3)</b>	(14.7)
	<u>78.5</u>	<u>28.5</u>
Electronic gaming equipment and systems:		
Sale of electronic gaming equipment and systems	<b>22.0</b>	2.8
Leasing of electronic gaming equipment and systems	<b>2.4</b>	3.3
Research and development and other costs	<b>(29.7)</b>	(18.3)
ETG distribution from IGT	<b>0.9</b>	1.3
	<u>(4.4)</u>	<u>(10.9)</u>
Other expenses	<u>(14.4)</u>	<u>(16.7)</u>
Adjusted EBITDA	<u><b>59.7</b></u>	<u>0.9</u>

The Adjusted EBITDA from the casinos under the Group's management was HK\$78.5 million, representing an increase of 175.4% over that of HK\$28.5 million for the six months ended 30 June 2017. The increase was mainly due to the increase in total GGR generated by the casinos under the Group's management when compared to that for the six months ended 30 June 2017.

The Adjusted EBITDA from the electronic gaming equipment and systems segment was a loss of HK\$4.4 million, representing a decrease of 59.6% over that of loss of HK\$10.9 million for the six months ended 30 June 2017. For the six months ended 30 June 2018, sale of electronic gaming equipment and systems contributed Adjusted EBITDA of HK\$22.0 million (six months ended 30 June 2017: HK\$2.8 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\$18.3 million for the six months ended 30 June 2017 to HK\$29.7 million for the six months ended 30 June 2018.

The Group recorded a profit of HK\$26.3 million for the six months ended 30 June 2018, as compared to a loss of HK\$35.3 million for the six months ended 30 June 2017. The turnaround from loss for the six months ended 30 June 2017 to profit for the six months ended 30 June 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 six months ended 30 June 2018 and 30 June 2017:

	Six months ended 30 June					
	2018			2017		
	Casino Kam Pek Paradise	Casino Waldo	Total	Casino Kam Pek Paradise	Casino Waldo	Total
<i>(Average no. of units)</i>						
Traditional gaming tables	39	25	64	38	25	63
LMG tables	10	5	15	10	5	15
LMG terminals	1,000	416	1,416	946	306	1,252
Slot machines	194	176	370	162	160	322

As at 30 June 2018, the Group had a total of 79 (31 December 2017: 79) gaming tables under management.

The following tables set 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 six months ended 30 June 2018 and 30 June 2017:

		Casino Kam Pek		Casino Waldo	
		Paradise			
		Six months ended 30 June			
		2018	2017	2018	2017
<b>Traditional gaming tables</b>					
GGR	<i>(HK\$ million)</i>	<b>371.6</b>	331.9	<b>174.4</b>	191.1
Gaming tables	<i>(Average no. of tables)</i>	<b>39</b>	38	<b>25</b>	25
Net win/table/day	<i>(HK\$ thousand)</i>	<b>52.6</b>	48.3	<b>38.5</b>	42.2
<b>LMG tables</b>					
GGR	<i>(HK\$ million)</i>	<b>283.5</b>	234.4	<b>58.2</b>	53.2
Terminals	<i>(Average no. of terminals/tables)</i>	<b>1,000/10</b>	946/10	<b>416/5</b>	306/5
Net win/terminal/day	<i>(HK\$)</i>	<b>1,566</b>	1,369	<b>773</b>	961
Net win/LMG table/day	<i>(HK\$ thousand)</i>	<b>156.6</b>	129.5	<b>64.3</b>	58.8
<b>Total gaming tables</b>					
GGR	<i>(HK\$ million)</i>	<b>655.1</b>	566.3	<b>232.6</b>	244.3
Gaming tables	<i>(Average no. of tables)</i>	<b>49</b>	48	<b>30</b>	30
Net win/table/day	<i>(HK\$ thousand)</i>	<b>73.9</b>	65.2	<b>42.8</b>	45.0
<b>Slot machines</b>					
GGR	<i>(HK\$ million)</i>	<b>32.4</b>	21.4	<b>4.4</b>	4.7
Slot machines	<i>(Average no. of units)</i>	<b>194</b>	162	<b>176</b>	160
Net win/unit/day	<i>(HK\$)</i>	<b>923</b>	730	<b>138</b>	162
<b>Total GGR</b>	<i>(HK\$ million)</i>	<b><u>687.5</u></b>	<u>587.7</u>	<b><u>237.0</u></b>	<u>249.0</u>

For the six months ended 30 June 2018, total GGR generated by Casino Kam Pek Paradise amounted to HK\$687.5 million, representing an increase of 17.0% over that of the last corresponding period of HK\$587.7 million. Total GGR generated by Casino Waldo for the six months ended 30 June 2018 amounted to HK\$237.0 million, representing a decrease of 4.8% over that of the last corresponding period of HK\$249.0 million.

Breakdown of the revenue attributable to the Group for the casinos under the Group's management for the six months ended 30 June 2018 and 30 June 2017 is as follows:

	<b>Six months ended 30 June</b>	
	<b>2018</b>	2017
	<i>HK\$ million</i>	<i>HK\$ million</i>
Casino Kam Pek Paradise:		
Traditional gaming tables	<b>204.4</b>	182.5
LMG tables	<b>155.9</b>	128.9
Slot machines	<b>14.3</b>	9.4
	<u><b>374.6</b></u>	<u>320.8</u>
 Casino Waldo:		
Traditional gaming tables	<b>99.1</b>	108.6
LMG tables	<b>33.0</b>	30.2
Slot machines	<b>2.5</b>	2.7
	<u><b>134.6</b></u>	<u>141.5</u>
	<u><b>509.2</b></u>	<u>462.3</u>

Total revenue attributable to the Group generated by the casinos under the Group's management was HK\$509.2 million, representing an increase of 10.1% over that of HK\$462.3 million for the six months ended 30 June 2017. The total net increase in revenue was due to the increase of 16.8% in revenue from Casino Kam Pek Paradise which was partially offset by the decrease of 4.9% in revenue from Casino Waldo for the six months ended 30 June 2018 when compared to those for the six months ended 30 June 2017.

### ***Development, Sale and Leasing of Electronic Gaming Equipment and Systems***

#### *Sale of Electronic Gaming Equipment and Systems*

For the six months ended 30 June 2018, revenue from sale of electronic gaming equipment and systems amounted to HK\$49.9 million, representing an increase of 162.6% over that of HK\$19.0 million for the six months ended 30 June 2017. The sale for the six months ended 30 June 2018 represented mainly the deployment of a total of 217 LMG terminals and other accessories like X-Stadium at MGM Cotai upon its opening on 13 February 2018 (for the six months ended 30 June 2017: 78 LMG terminals at Wynn Macau and Legend Palace Casino at the Macau Fisherman's Wharf).

### *Leasing of Electronic Gaming Equipment and Systems*

For the six months ended 30 June 2018, revenue from leasing of electronic gaming equipment and systems amounted to HK\$3.9 million, representing a decrease of 41.8% over that of HK\$6.7 million for the six months ended 30 June 2017. Leasing revenue for the six months ended 30 June 2018 comprised revenue from LMG terminals of HK\$3.6 million and revenue from slot machines of HK\$0.3 million (for the six months ended 30 June 2017: HK\$6.7 million from LMG terminals).

The following tables set out certain key operational data of LMG terminals (excluding those LMG terminals deployed at the casinos under the Group's management) and the related revenue shared by the Group for the six months ended 30 June 2018 and 30 June 2017:

		<b>Six months ended 30 June</b>	
		<b>2018</b>	<b>2017</b>
GGR from LMG terminals	<i>(HK\$ million)</i>	<b>15.2</b>	28.7
No. of LMG terminals	<i>(Average no. of terminals)</i>	<b>259</b>	407
Net win/terminal/day	<i>(HK\$)</i>	<b>324</b>	390
Revenue sharing	<i>(HK\$ million)</i>	<b>3.6</b>	6.7

For the six months ended 30 June 2018, 76 slot machines were deployed at Casino Macau Jockey Club at The Macau Roosevelt which generated GGR of HK\$1.3 million. Revenue of HK\$0.3 million was shared by the Group accordingly.

### *ETG Distribution from IGT*

In April 2016, the Group entered into a strategic agreement with IGT, a global leader in electronic gaming machine industry. The Group assigned and licensed 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).

For the six months ended 30 June 2018, the Group recognised its share of revenue from deployment of ETG machines by IGT of HK\$0.9 million (six months ended 30 June 2017: HK\$1.3 million), giving an accumulated share of revenue of HK\$3.8 million as at 30 June 2018.

## **PROSPECTS**

Macau gaming industry has witnessed consecutive growth momentum since its bounce back in the middle of 2016. In 2018 so far, Macau gaming industry has further improved as Macau GGR for the six months ended 30 June 2018 increased by 18.9% to MOP150.2 billion over that for the six months ended 30 June 2017. Macau's total visitor arrivals for the six months ended 30 June 2018 were approximately 16.8 million, representing an increase of 8.0% compared to the same period last year.

The Group currently manages two satellite casinos in the Macau Peninsula. Due to laggard effect amid market recovery, the business environment of Macau's satellite casinos remains challenging. However, we believe the visitation to Macau will shore up, thanks to the infrastructure improvements including the Hong Kong-Zhuhai-Macao Bridge, which is scheduled to commence operation very soon, together with the increasing number of tourist attractions as well as diversified entertainment and business destinations. All these efforts will fuel the long-term growth of the two satellite casinos managed by the Group.

On 1 January 2018, the new Technical Standards came into effect, which provide that all existing DETG machines should be updated on or before 31 December 2019. The publication of the Technical Standards has accelerated the upgrading and replacement cycles of all the deployed DETG machines of the Group in Macau. Being the inventor, patent-owner and sole-supplier of DETG machines, the Group is technically competent and well-positioned to provide ready-made services to offer supports to casinos currently equipped with DETG machines and assist them in meeting the requirements of the Technical Standards.

The Group strives to strengthen its leading position through technological innovation. In addition to LMG, the Group's flagship product, the Group has also been investing in developing other high-tech electronic gaming products. During the six months ended 30 June 2018, the Group has launched some of its newly developed gaming products to the market including X-Stadium Live, Intelligent Card Shoes and Quick Foreign Exchange machines, etc. in casinos in Macau and the U.S. The Group will continue to introduce new gaming products such as slot machines and automatic baccarat, etc. to the market in near future. The launch of new products is expected to add long-term sustainable growth impetus to the Group.

In order to enlarge its share in the electronic gaming equipment market in Macau and overseas, the Group has also allied with other worldwide leading providers of electronic gaming products by leveraging their extensive sales and distribution network, and commercialization expertise, etc. in distributing the Group's existing and new electronic gaming products and, on the other hand, penetrating into the distribution of their gaming products in Macau and overseas. These strategic alliances have unlocked tremendous business development opportunity to the Group.

The Group embraces synergies of its two business segments, namely provision of casino management services and development, sale and leasing of electronic gaming equipment and systems. This unique business model provides us with a privileged positioning in the market by possessing knowledge in both casino management and electronic gaming equipment and systems. We believe this will enhance the competitive edge of the Group in providing gaming technical advisory and support services to new and existing casinos or games in Macau or overseas.

Looking ahead, the Group will continue to increase its investment in high-tech gaming products, aiming to provide casinos with more diversified and upgraded products and expand its market share in the gaming industry in Macau and overseas. Overall, the Group remains cautiously optimistic about its business performance and will continue to identify new business opportunities to the Group and maximise returns to the Shareholders.



## **INTERIM DIVIDEND**

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2018.

## **LIQUIDITY AND FINANCIAL RESOURCES**

The Group's liquidity needs primarily comprise working capital including research and development expenditure, capital expenditure, and repayment of borrowings of the Group. 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 and thus maintained 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 will utilise the balance of cash for appropriate investment in accordance with the Group's strategic direction and development.

As at 30 June 2018, the consolidated net assets of the Group amounted to HK\$603.3 million, representing an increase of HK\$25.5 million or 4.4% from HK\$577.8 million as at 31 December 2017. The increase in consolidated net assets of the Group during the six months ended 30 June 2018 was mainly due to the Group's profit of HK\$26.3 million for the six months ended 30 June 2018.

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

As at 30 June 2018, the Group held pledged bank deposit of HK\$28.8 million, bank balances and cash of HK\$230.2 million and chips on hand of HK\$34.9 million. The pledged bank deposit as at 30 June 2018 was a fixed deposit placed at a Macau bank which was denominated in HK\$ with maturity of 12 months. Included in the bank balances and cash as at 30 June 2018 were fixed deposits of HK\$133.4 million placed at banks in Macau and Hong Kong with maturities ranging from 1 to 3 months. These fixed deposits were denominated in HK\$ and US\$.

### **Borrowings and Gearing Ratio**

As at 30 June 2018, other than the amounts due to Directors of HK\$2.0 million which were unsecured, interest-free and repayable on demand, the Group had no outstanding borrowing.

The Group's gearing ratio (expressed as a percentage of borrowings over net assets) as at 30 June 2018 was 0.3% (31 December 2017: 0.5%).

As at 30 June 2018 the Group had net cash (being total of pledged bank deposit, bank balances and cash, and chips on hand less borrowings) of HK\$291.9 million (31 December 2017: HK\$281.4 million).

During the six months ended 30 June 2018, the Group did not employ any financial instruments for hedging purposes.

## **CONNECTED TRANSACTION**

On 12 February 2018, LT Game entered into an agency agreement with Shanghai Libiao Industrial Co., Ltd.<sup>#</sup> (上海力標實業有限公司) (“Shanghai Libiao”), a company incorporated in the PRC and wholly-owned by Mr. Hu Liming, an executive Director, pursuant to which LT Game has engaged Shanghai Libiao as its agent for the purpose of certain procurement transactions to, among others, procure the research and development of, and purchase the gaming equipment from an independent supplier, the maximum consideration for which is RMB27,500,000 (equivalent to approximately HK\$34,098,000). The term of the agency agreement commenced from the date of the agency agreement and will expire on the completion of the procurement transactions, which is expected to be in 2020, or on 31 December 2020, whichever is earlier. In return for the performance of the above services under the agency agreement, LT Game will pay a one-off agency fee of RMB100,000 (equivalent to approximately HK\$124,000) in cash to Shanghai Libiao upon completion of the procurement transaction.

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

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

## **ACQUISITION OF THE PROPERTIES**

On 15 June 2018, the Purchaser (an indirect wholly-owned subsidiary of the Company) entered into the Provisional S&P Agreement, pursuant to which the Purchaser has agreed to purchase and the Vendor has agreed to sell the Properties at a consideration of HK\$128,500,000. Upon signing of the Provisional S&P Agreement, the Purchaser paid an initial deposit of HK\$2,000,000 to the Vendor.

On 21 June 2018, a sale and purchase agreement was entered into between the Purchaser and the Vendor in relation to the acquisition of the Properties and the Purchaser paid an additional deposit of HK\$10,850,000, such that the sum of the initial deposit and the additional deposit paid to the Vendor was equivalent to 10% of the consideration. As at 30 June 2018, the Group has paid a total deposit of HK\$12,850,000 to the Vendor in relation to the acquisition of the Properties. The balance of the purchase consideration of HK\$115,650,000 will be paid on completion of the acquisition of the Properties which is expected to take place on or before 15 October 2018, subject to the satisfaction of the customary conditions precedent set out in the sale and purchase agreement. The consideration for the acquisition of the Properties will be funded by internal resources of the Group and bank loan.

The Properties are intended to be used by the Group for inventory storage. At present, the Group leases certain warehouses for storing its inventories including, among other things, electronic gaming machines, equipment and spare parts in its ordinary and usual course of business. The Directors consider that the acquisition can reduce the Group’s ongoing rental expenses. The acquisition of the

<sup>#</sup> *For identification purposes only*

Properties constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. Further details regarding the acquisition of the Properties are set out in the Company's announcement dated 19 June 2018.

## **CAPITAL COMMITMENTS**

As at 30 June 2018, the Group had capital commitment in respect of acquisition of property, plant and equipment which is contracted but not provided for of HK\$117.3 million (31 December 2017: HK\$5.8 million). The capital commitment as at 30 June 2018 included the balance of the purchase consideration in relation to the acquisition of the Properties amounting to HK\$115.7 million which will be paid on completion of the acquisition of the Properties.

## **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**

Particulars of the charges on the Group's assets as at 30 June 2018 are set out in note 13 to the condensed consolidated financial statements.

## **CONTINGENT LIABILITIES**

As at 30 June 2018, the Group did not have any significant contingent liabilities.

## **EMPLOYEES AND REMUNERATION POLICY**

As at 30 June 2018, the Group had approximately 1,150 employees, including approximately 710 gaming operation employees who were employed by SJM or Galaxy to work for the respective 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 2018, 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 <sup>(1)</sup>	Approximate aggregate percentage of interests <sup>(4)</sup>
Mr. Jay Chun	The Company	Beneficial owner	124,160	0.01%
	The Company	Interest of controlled corporation	630,836,720 <sup>(2)</sup>	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 <sup>(3)</sup>	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 2018.

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 2018.

### Share Options

The Company adopted the Share Option Scheme 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 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 Share Option Scheme will be valid and effective for a period of ten years from the date of adoption of the Share Option 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 2018. There was no share option outstanding under any share option scheme during the six months ended 30 June 2018.

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

### **Substantial Shareholders' Interests in Shares**

As at 30 June 2018, 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:

<b>Name of company</b>	<b>Number of Shares<sup>(1)</sup></b>	<b>Approximate percentage of interests<sup>(3)</sup></b>
August Profit Investments Limited <sup>(2)</sup>	630,836,720	59.95%
FIL Limited	73,084,000	6.95%

*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 2018.

Save as disclosed above, as at 30 June 2018, 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 SHARES**

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's Shares during the six months ended 30 June 2018.

## **UPDATE ON DIRECTORS' INFORMATION**

Biographical details of each of the Directors are set out in the Annual Report 2017 of the Company dated 26 March 2018.

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 subsequent to the date of the Annual Report 2017 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 2018, 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 2018.

## **REVIEW OF INTERIM REPORT 2018 AND UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

The Interim Report 2018 including the unaudited condensed consolidated financial statements of the Company for the six months ended 30 June 2018 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 2018 have also been reviewed by Deloitte Touch Tohmatsu, 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:

“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 costs incurred or associated with corporate exercises or potential projects, where applicable
“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
“DETG”	Dealer-operated electronic table game
“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
“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
“LT Game”	LT Game Limited, a company established in the BVI with limited liability, an indirect 82%-owned subsidiary of the Company
“Macau”	the Macao Special Administrative Region of the PRC
“Model Code”	the Model Code for Securities Transaction by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
“MOP”	Macau Pataca, the lawful currency of Macau
“PRC”	the People’s Republic of China
“Properties”	Units 2A, 2B, 2D, 2F, 7C, 7H of Centro Polytex at 45 Estrada Marginal Da Areia Preta, Macau
“Provisional S&P Agreement”	the provisional sale and purchase agreement dated 15 June 2018 entered into between the Purchaser and the Vendor in respect of the acquisition of the Properties
“Purchaser”	Century Force Limited, a company incorporated in Macau and an indirect wholly-owned subsidiary of the Company



“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
“Share Option Scheme”	the share option scheme of the Company adopted by the Company at the annual general meeting held on 25 May 2017
“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 Gaming Inspection and Coordination Bureau in Macau
“U.S.”	the United States of America
“US\$”	United States dollars, the lawful currency of the U.S.
“Vendor”	a company incorporated in Macau that holds the legal title to the Properties as at the date of the Provisional S&P Agreement, and an independent third party of the Company
“%”	per cent

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

Hong Kong, 22 August 2018

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