



**PARADISE ENTERTAINMENT LIMITED**

**滙彩控股有限公司\***

(Incorporated in Bermuda with limited liability)

(Stock Code: 1180)

**INTERIM  
REPORT**

**2015**





## RESULTS

The board (the “Board”) of directors (the “Director”) of Paradise Entertainment Limited (the “Company”) hereby announces the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2015 together with the comparative figures for the relevant period in 2014 as follows:

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	Unaudited Six months ended 30 June	
		2015 HK\$'000	2014 HK\$'000
<b>Turnover</b>	3	<b>571,080</b>	610,447
Cost of sales and services		<b>(318,617)</b>	(247,890)
<hr/>			
Gross Profit		<b>252,463</b>	362,557
Other income		<b>5,852</b>	3,916
Marketing, selling and distribution costs		<b>(98,581)</b>	(119,572)
Administrative expenses		<b>(133,376)</b>	(123,626)
Finance costs		<b>(4,607)</b>	(4,443)
Amortisation of intangible assets		<b>(33,466)</b>	(33,466)
Loss on early redemption of promissory note		–	(34,890)
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<b>(Loss) profit before tax</b>		<b>(11,715)</b>	50,476
Income tax expenses	6	<b>(174)</b>	(7)
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<b>(Loss) profit for the period</b>	4	<b>(11,889)</b>	50,469
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(Loss) profit for the period attributable to:			
Owners of the Company		<b>(23,858)</b>	45,596
Non-controlling interests		<b>11,969</b>	4,873
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		<b>(11,889)</b>	50,469
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(Loss) earnings per share (HK cents)	8		
– Basic		<b>(2.26)</b>	4.32
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– Diluted		<b>(2.26)</b>	4.32
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## CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2015</b>	<b>2014</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
(Loss) profit for the period	<b>(11,889)</b>	50,469
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of financial statements of overseas operations	<b>(193)</b>	(237)
Total comprehensive income for the period	<b>(12,082)</b>	50,232
Total comprehensive income attributable to:		
Owners of the Company	<b>(24,051)</b>	45,359
Non-controlling interests	<b>11,969</b>	4,873
	<b>(12,082)</b>	50,232



## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		<b>Unaudited</b>	Audited
		<b>30 June</b>	31 December
		<b>2015</b>	2014
	Notes	<b>HK\$'000</b>	HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	9	<b>179,840</b>	186,447
Intangible assets	10	<b>669,063</b>	702,529
Interest in an associate		–	–
		<b>848,903</b>	888,976
<b>Current assets</b>			
Inventories		<b>58,326</b>	46,246
Debtors, deposits and prepayments	11	<b>210,660</b>	158,850
Cash and cash equivalents		<b>318,769</b>	321,252
		<b>587,755</b>	526,348
<b>Current liabilities</b>			
Creditors and accrued charges	12	<b>190,130</b>	151,596
Amounts due to directors	17	<b>3,320</b>	3,347
Obligations under finance leases			
– due within one year	13	<b>127</b>	123
Dividend payable	7	<b>52,775</b>	–
Current tax liabilities		<b>174</b>	1,022
		<b>246,526</b>	156,088
<b>Net current assets</b>		<b>341,229</b>	370,260
<b>Total assets less current liabilities</b>		<b>1,190,132</b>	1,259,236



## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

		<b>Unaudited 30 June 2015 HK\$'000</b>	Audited 31 December 2014 HK\$'000
	Notes		
<b>Non-current liabilities</b>			
Obligations under finance leases			
– due after one year	13	–	65
Promissory note	14	<b>72,244</b>	67,642
		<b>72,244</b>	67,707
<b>Net assets</b>			
		<b>1,117,888</b>	1,191,529
<b>Capital and reserves</b>			
Share capital	15	<b>1,055</b>	1,057
Reserves		<b>1,078,813</b>	1,161,181
Equity attributable to owners of the Company		<b>1,079,868</b>	1,162,238
Non-controlling interests		<b>38,020</b>	29,291
<b>Total equity</b>			
		<b>1,117,888</b>	1,191,529



## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2015</b>	<b>2014</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Net cash generated from operating activities	<b>76,239</b>	224,056
Net cash used in investing activities	<b>(16,870)</b>	(38,582)
Net cash used in financing activities	<b>(61,652)</b>	(111,651)
Net (decrease) increase in cash and cash equivalents	<b>(2,283)</b>	73,823
Effect of foreign exchange rate changes	<b>(200)</b>	(223)
Cash and cash equivalents at beginning of the period	<b>321,252</b>	266,699
Cash and cash equivalents at end of the period	<b>318,769</b>	340,299
<b>ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS, represented by</b>		
Cash and cash equivalents	<b>318,769</b>	340,299



## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For six months ended 30 June 2015

	Attributable to owners of the Company							Non-controlling interests HK\$'000	Total equity HK\$'000	
	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000	Option reserve HK\$'000	Warrant reserve HK\$'000	Translation reserve HK\$'000	Accumulated profits HK\$'000			Sub-total HK\$'000
At 1 January 2015	1,057	936,874	119,612	-	-	21,556	83,139	1,162,238	29,291	1,191,529
Loss for the period	-	-	-	-	-	-	(23,858)	(23,858)	11,969	(11,889)
Other comprehensive income	-	-	-	-	-	(193)	-	(193)	-	(193)
Total comprehensive income	-	-	-	-	-	(193)	(23,858)	(24,051)	11,969	(12,082)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	(3,240)	(3,240)
Dividend approved in respect of the previous year	-	-	-	-	-	-	(52,775)	(52,775)	-	(52,775)
Repurchase of shares	(2)	(5,542)	-	-	-	-	-	(5,544)	-	(5,544)
At 30 June 2015	1,055	931,332	119,612	-	-	21,363	6,506	1,079,868	38,020	1,117,888

For six months ended 30 June 2014

	Attributable to owners of the Company							Non-controlling interests HK\$'000	Total equity HK\$'000	
	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000	Option reserve HK\$'000	Warrant reserve HK\$'000	Translation reserve HK\$'000	Accumulated profits HK\$'000			Sub-total HK\$'000
At 1 January 2014	1,025	903,651	119,612	1,893	952	21,471	99,182	1,147,786	27,504	1,175,290
Profit for the period	-	-	-	-	-	-	45,596	45,596	4,873	50,469
Other comprehensive income	-	-	-	-	-	(237)	-	(237)	-	(237)
Total comprehensive income	-	-	-	-	-	(237)	45,596	45,359	4,873	50,232
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	(4,860)	(4,860)
Dividend approved in respect of the previous year	-	-	-	-	-	-	(53,199)	(53,199)	-	(53,199)
Additional equity interest in subsidiaries acquired from non-controlling interests	-	-	-	-	-	-	(7)	(7)	7	-
Issue of shares on exercise of share options and warrants	39	52,256	-	(1,893)	(952)	-	-	49,450	-	49,450
At 30 June 2014	1,064	955,907	119,612	-	-	21,234	91,572	1,189,389	27,524	1,216,913



## NOTES:

### (1) Basis of preparation

These condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

### (2) Accounting policies

The accounting policies adopted for the preparation of the condensed consolidated financial statements are consistent with those set out in the Group's consolidated financial statements for the year ended 31 December 2014, except for adoption of the following amended Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA which are effective to the Group for accounting periods beginning on or after 1 January 2015.

Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle

The adoption of these amended HKFRSs has no material impact on the Group's results and financial position for the current or prior periods.



### (3) Turnover and segment information

The Group's operating segments, based on information reported to the Board, being the chief operating decision maker ("CODM"), for the purposes of resources allocation and assessment of segment performance are organised into business units based on their products and services as follows:

- |                |   |  |
|----------------|---|--|
| Casino service | – | Provision of management services to casinos in Macau         |
| Gaming system  | – | Development, provision and sales of electronic gaming system |

The Group monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the condensed consolidated financial statements. Group financing (including finance costs) is managed on a group basis and is not allocated to operating segments.

The following tables present revenue and profit information regarding the Group's operating and reportable segments reported to CODM for the purposes of resources allocation and assessment of segment performance for the period ended 30 June 2015 and 2014, respectively.



### (3) Turnover and segment information (Continued)

	Unaudited							
	Six months ended 30 June							
	Operating and reportable segments							
	Casino service		Gaming system		Unallocated		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Revenue</b>								
Revenue from external customers	457,050	530,430	114,030	80,017	-	-	571,080	610,447
<b>Segment results</b>	(21,962)	99,996	30,047	3,092	(15,193)	(13,279)	(7,108)	89,809
Finance costs							(4,607)	(4,443)
Loss on early redemption of promissory note							-	(34,890)
<b>(Loss) profit before tax</b>							(11,715)	50,476
Income tax expenses							(174)	(7)
<b>(Loss) profit for the period</b>							(11,889)	50,469
<b>Other information</b>								
Capital expenditure	16,975	24,595	2,180	12,239	12	2,060	19,167	38,894
Amortisation	6,069	6,069	27,397	27,397	-	-	33,466	33,466
Depreciation	18,548	19,351	6,550	5,196	652	422	25,750	24,969

Note: Revenue reported above represented the revenue generated from external customers which did not include the intersegment sales of approximately HK\$9,333,000 (2014: HK\$9,333,000) during the period ended 30 June 2015 amongst the two operating and reportable segments.



#### (4) (Loss) profit for the period

(Loss) profit for the period has been arrived at after charging:

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2015</b>	2014
	<b>HK\$'000</b>	HK\$'000
Auditors' remuneration	<b>480</b>	524
Amortisation of intangible assets	<b>33,466</b>	33,466
Consultancy fee	<b>1,089</b>	1,156
Cost of inventories recognised as expenses	<b>9,540</b>	4,956
Depreciation of property, plant and equipment	<b>25,750</b>	24,969
Impairment loss recognised in respect of amount due from an associate	<b>15</b>	15
Loss on disposal of property, plant and equipment	–	13
Operating lease rentals paid in respect of rented premises	<b>5,830</b>	4,894
Research and development*	<b>10,063</b>	6,689
Staff costs		
– Directors' remuneration (note 5)	<b>13,043</b>	13,006
– Other staff costs		
– Salaries and other benefits	<b>57,928</b>	38,650
– Retirement benefit scheme contributions	<b>549</b>	498
<b>Total staff costs</b>	<b>71,520</b>	52,154

\* Research and development expenditure includes HK\$8,653,000 (2014: HK\$6,262,000) relating to staff costs, depreciation and operating lease rental paid which are included in the respective total amounts disclosed separately above.



**(5) Directors' remuneration**

The remuneration of Directors during the period was as follows:

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2015</b>	2014
	<b>HK\$'000</b>	HK\$'000
Directors' fees	<b>180</b>	182
Salaries and other benefits	<b>12,060</b>	12,060
Retirement benefit scheme contributions	<b>15</b>	14
Accommodation benefits	<b>788</b>	750
	<hr/>	
	<b>13,043</b>	13,006
	<hr/> <hr/>	

The remuneration of Directors is determined by the remuneration committee having regard to the performance of individuals and market trends.



**(6) Income tax expense**

The income tax expense during the period was as follows:

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2015</b>	2014
	<b>HK'000</b>	HK'000
Provision for:		
Current tax	<b>174</b>	7
Deferred tax	-	-
	<b>174</b>	7

No provision for Hong Kong Profits Tax and Macau Complementary Tax has been made in the condensed consolidated financial statements as the Group did not generate any assessable profit in Hong Kong or Macau for the period. The provision for current tax is calculated on the assessable profit at the rate of 25% (2014: 25%) prevailing in the PRC in which the Group operates and lump sum dividend tax in Macau is provided.

Pursuant to a confirmation letter issued by the Macau Financial Service Bureau dated 7 January 2015, gaming related revenue generated from the service agreement signed between LT (Macau) Limited, a wholly-owned subsidiary of the Company, and Sociedade De Jogos De Macau, S.A. ("SJM") is not subject to Macau Complementary Tax since it is derived from SJM's gaming revenue, which gaming revenue is exempted 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.



**(6) Income tax expense (Continued)**

Pursuant to the Dispatch of the Macau Financial Services Bureau dated 18 February 2015, LT (Macau) Limited, a wholly-owned subsidiary of the Company, is allowed to pay an annual lump sum dividend withholding tax of approximately MOP341,000 (equivalent to approximately HK\$331,000) for each of the years ended 31 December 2012 through to 2016 as payment in lieu of Macau Complementary Tax otherwise due by the shareholders of LT (Macau) Limited on dividend distributions from gaming profits generated in relation to the provision of management services to Casino Kam Pek Paradise, Lisboa Casino and Casino Macau Jockey Club. Such annual lump sum tax payments are required regardless of whether dividends were actually distributed or whether LT (Macau) Limited has distributable profits in the relevant years. During the period ended 30 June 2015, provision for taxation of HK\$166,000 has been recognised which was charged to the condensed consolidated financial statements.

There is no movement in provision for deferred tax during the period ended 30 June 2015. No deferred tax asset has been recognised in respect of tax losses as the recoverability of these potential deferred tax assets is uncertain.

**(7) Dividends**

Final dividend of HK\$0.05 per share in respect of the year ended 31 December 2014 (2013: HK\$0.05) was declared and approved during the period ended 30 June 2015 and was paid to the shareholders of the Company in July 2015. The aggregate amount of the final dividend for the year ended 31 December 2014 of approximately HK\$52,775,000 (2013: HK\$53,199,000) has been recognised as a liability in the condensed consolidated financial statements.

The Board does not recommend the payment of an interim dividend for the period ended 30 June 2015 (2014: HK\$0.02).



**(8) (Loss) Earnings per share**

The calculation of the basic and diluted (loss) earnings per share are based on the following:

**Unaudited**  
**Six months ended 30 June**  
**2015**                      2014  
**HK'000**                      HK'000

**(Loss) Profit**

(Loss) Profit for the period  
for the purpose of basic and  
diluted (loss) earnings per share

**(23,858)**                      45,596

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**Unaudited**  
**Six months ended 30 June**  
**2015**                      2014

**Number of shares**

Weighted average number of ordinary  
shares for the purpose of calculating  
basic and diluted (loss) earnings  
per share

**1,055,736,121**    1,056,311,149

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**(9) Property, plant and equipment**

During the period, additions to the property, plant and equipment amounted to HK\$19.1 million, which includes HK\$13.6 million of gaming facilities and HK\$2.5 million of leasehold improvements.



### (10) Intangible assets

The decrease in value of intangible assets represents amortisation of patents and patent applications regarding the betting terminal system.

### (11) Debtors, deposits and prepayments

The Group normally allows a credit period of 30 days and 90 to 180 days to its gaming partners and trade debtors, respectively. The credit policy is consistent with the gaming industry practice in Macau.

	<b>Unaudited</b>	Audited
	<b>30 June</b>	31 December
	<b>2015</b>	2014
	<b>HK\$'000</b>	HK\$'000
The ageing analysis of trade debtors is as follows:		
Within 30 days	<b>64,381</b>	67,783
31 – 60 days	<b>1,129</b>	1,077
61 – 90 days	<b>759</b>	83
91 – 180 days	<b>3,179</b>	683
181 – 365 days	<b>4,279</b>	154
Over 365 days	<b>3,254</b>	3,129
	<b>76,981</b>	72,909
Deposits, other debtors and prepayments	<b>133,679</b>	85,941
	<b>210,660</b>	158,850



## (12) Creditors and accrued charges

<b>Unaudited</b>	Audited
<b>30 June</b>	31 December
<b>2015</b>	2014
<b>HK\$'000</b>	HK\$'000

The ageing analysis of trade creditors is as follows:

Within 30 days	<b>15,943</b>	44,013
31 – 60 days	<b>178</b>	937
61 – 90 days	<b>4,646</b>	1,261
91 – 365 days	<b>53,630</b>	2,761
Over 365 days	<b>1,307</b>	1,395
	<b>75,704</b>	50,367
Other creditors and accrued charges	<b>114,426</b>	101,229
	<b>190,130</b>	151,596



### (13) Obligations under finance leases

	Minimum lease payments		Present value of minimum lease payments	
	Unaudited 30 June 2015 HK\$'000	Audited 31 December 2014 HK\$'000	Unaudited 30 June 2015 HK\$'000	Audited 31 December 2014 HK\$'000
Within one year	132	132	127	123
More than one year, but not exceeding two years	-	65	-	65
	<b>132</b>	197	<b>127</b>	188
Less: Future finance charges	(5)	(9)	-	-
Present value of lease obligations	<b>127</b>	188	<b>127</b>	188
Less: Amounts due for settlement within one year (shown under current liabilities)			(127)	(123)
Amounts due for settlement after one year			-	65

All obligations under finance leases are denominated in Hong Kong dollars.

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets.



#### (14) Promissory note

On 19 June 2013, the Group issued a promissory note with a principal amount of HK\$200,000,000 to Mr. Jay Chun, the chairman of the Board (the “Chairman”) and an executive Director, as part of the consideration for the Group’s acquisition of patents and patent applications in the US in relation to a betting terminal system. The promissory note is unsecured, non-interest bearing and has a maturity period of 4 years from the date of issue but can be repaid in whole or in part before maturity at the discretion of the Company. Early redemption of the promissory note shall be subject to discount of the outstanding principal account as follow: 4% within the first year, 3% within the second year, 2% within the third year and 1% within the fourth year.

The promissory note is measured at amortised cost using the effective interest method with the effective interest rate at 13.36% per annum (year ended 31 December 2014: 13.36% per annum).

During the period ended 30 June 2014, the Group redeemed part of promissory note of principal amount of HK\$106,000,000. The loss on early redemption of the promissory note amounted to HK\$34,890,000 representing the difference between the discounted repayment amount and the respective carrying amount at the date of redemption.

	<b>Unaudited</b>	Audited
	<b>30 June</b>	31 December
	<b>2015</b>	2014
	<b>HK\$’000</b>	HK\$’000
At the beginning of the period/year	<b>67,642</b>	126,170
Interest charged	<b>4,602</b>	8,342
Early redemption during the period/year	–	(66,870)
	<hr/>	<hr/>
At the end of the period/year	<b>72,244</b>	67,642
	<hr/> <hr/>	<hr/> <hr/>



**(14) Promissory note (Continued)**

The maturity of the promissory note is as follows:

	<b>Unaudited 30 June 2015 HK\$'000</b>	Audited 31 December 2014 HK\$'000
Within one year	–	–
More than one year but not more than five years	<b>72,244</b>	67,642
	<b>72,244</b>	67,642

**(15) Share capital**

	<b>Number of share of HK\$0.001 each '000</b>	<b>Nominal value HK\$'000</b>
<i>Authorised:</i>		
At 1 January 2015 and 30 June 2015	1,000,000,000	1,000,000
<i>Issued and fully paid:</i>		
At 1 January 2015	1,057,445	1,057
Repurchase and cancellation of shares	(1,956)	(2)
At 30 June 2015	1,055,489	1,055



## (16) Capital commitments

<b>Unaudited</b>	Audited
<b>30 June</b>	31 December
<b>2015</b>	2014
<b>HK\$'000</b>	HK\$'000

Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:

Acquisition of property, plant and equipment

<b>21,845</b>	9,859
<b>21,845</b>	9,859

## (17) Related party transactions

In addition to those related party transactions and balances disclosed elsewhere in the consolidated financial statements, the Group had the following transactions with its related parties during the period:

	Directors		Associate		Related parties	
	2015	2014	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Salaries and other benefits paid to (notes (a) & (d))	-	-	-	-	1,969	1,877



## (17) Related party transactions (Continued)

	<b>Unaudited</b>	Audited	<b>Unaudited</b>	Audited	<b>Unaudited</b>	Audited
	<b>30 June</b>	31 December	<b>30 June</b>	31 December	<b>30 June</b>	31 December
	<b>2015</b>	2014	<b>2015</b>	2014	<b>2015</b>	2014
	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000
Amounts due from (notes (b) & (c))	-	-	<b>6,121</b>	6,106	-	-
Amounts due to (note (b))	<b>3,320</b>	3,347	-	-	-	-

### Notes:

- (a) The transactions were charged at predetermined amounts agreed between the parties involved.
- (b) The amounts are unsecured, interest free and have fixed terms of repayment.
- (c) Impairment of approximately HK\$15,000 (2014: HK\$15,000) has been made for the period for the amount due from an associate. The amount due from an associate was fully impaired.
- (d) The related party is the spouse of Mr. Jay Chun, the Chairman and an executive Director.



## DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2015 (2014: HK\$0.02 per share).

## BUSINESS REVIEW

Given the challenges confronted by the gaming industry in Macau, the Group recorded a loss of HK\$11,889,000 for the six months ended 30 June 2015 (the "Period") as compared to the profit of HK\$50,469,000 for the corresponding period in 2014.

Revenue of the Group for the Period decreased to HK\$571,080,000, representing a drop of 6.4% as compared to HK\$610,447,000 for the same period last year. It was attributable to the decrease in gross gaming revenue of the Group's casino management business, mainly driven by the diminishing economic growth rate recorded in China and the widening anti-corruption campaign initiated by the central government of China. In addition, the Group's revenue was also undermined by a surge in overall operating expenses, particular the ever increasing labour costs.

Accordingly, the adjusted EBITDA\* of the Group dropped to HK\$49,811,000 as compared to HK\$147,933,000 for the same period last year, representing a decrease of 66.3%.

## PROVISION OF CASINO SERVICES

During the Period, revenue generated by the provision of casino services contributed 80.0% of the total revenue. The adjusted EBITDA of the segment decreased from HK\$125,290,000 to HK\$362,000, representing a drop of 99.7%.

In June 2015, the Group installed 172 slot machines at Waldo Casino, broadening the offering of the casino by providing a variety of choices to players, which brought about more revenue for the Group.

## SALES AND REVENUE SHARING OF LIVE MULTI GAME ("LMG") TERMINALS

Revenue generated by the sales and revenue sharing of LMG terminals contributed 20.0% of the total revenue. For the Period, the adjusted EBITDA increased from HK\$35,499,000 to HK\$63,989,000, representing an improvement of 80.3%. It was mainly attributable to the increased income from the revenue sharing of LMG terminals.

\* Adjusted EBITDA is profit attributable to owners of the Company before taxation, finance cost, loss on early redemption of promissory note, depreciation and amortisation and interest income.



In February 2015, the Group converted the 24 LMG terminals on trial at The Palazzo in Las Vegas into an outright sale. This marked the first sale of LMG terminals in the gaming market of the U.S. and an important milestone for the Group in its effort to penetrate the largest gaming machines market in the world. Moreover, the Group also deployed 80 LMG terminals at the Grand Lisboa in Macau, expanding the LMG deployment at Grand Lisboa to a total of 120 terminals. These moves delivered an attractive return on investment and further enhanced the player experience. Our patent-protected LMG terminals served to improve the efficiency and productivity of casino operations by lowering the average cost per player and broadening the customer reach of casino operators. We believe, much like Macau, the LMG terminals will soon gain acceptance throughout the gaming industry in the U.S.

In May 2015, the Group deployed 42 LMG terminals at Galaxy Macau Phase 2. Together with the 50 LMG terminals installed at Galaxy Macau Phase 1, bringing total new deployment at both casinos to 92 terminals. The new deployment added on to the existing 150 terminals currently installed at Galaxy Macau Phase 1, not only helping to serve a broader mass market audience, but also delivering a higher return on investment to casino operators on the back of cost savings and higher productivity.

### **MARKET RECOGNITION**

On 9 March 2015, the Company was admitted as a constituent stock of Hang Seng Broad Consumption Index, Hang Seng Global Composite Index and Hang Seng Composite Index, representing an important recognition from the investment community. This could also be interpreted as an acknowledgement of the Company's accomplishment in the industry, and a highlight of our expanding presence in the Asia-Pacific gaming market, which would in turn heighten the awareness of the Group and potentially improve the liquidity of shares in the Company.

### **PROSPECTS**

On 30 June 2015, Macau government announced a reversal of its transit visa policy that was tightened last year after it was abused by high rollers and junket agents to gain multiple entries into the city. The new policy will benefit casino operators before the summer holidays and peak seasons later this year. Starting from 1 July 2015, mainland China passport holders transiting through Macau are allowed to stay in the city longer and more frequently. They can stay seven days in the city, up from five days, and gain second entry within 30 days instead of 60 days, thereby increasing the number of well-heeled mainland customers visiting Macau.



On the other hand, Macau appears to have eased its stance on a proposal of implementing a full smoking ban on casino floors. It is heard that smoking may be allowed in VIP rooms if casino operators can assure that adequate measures have been made to safeguard people's health and scientific proof could be provided. Casino operators are trying their best to find leeway in implementing the smoking ban on gaming floors, and the apparent softening of the government's stance has provided some cheer for the industry because industry players had expressed concern that a full smoking ban might deter some gamers and affect casino revenues, which is being challenged by China's anti-graft and austerity campaign.

Against the backdrop of a sluggish market, the Group expects the government to promulgate more supportive policies in the second half of 2015 to up lift the economy of Macau.

Also, sales of 24 LMG terminals as mentioned in the above paragraph mark the beginning of sales of LMG in the U.S. The Group will see more sales in overseas, and believes LMG will soon gain acceptance throughout the U.S. gaming industry.

Notwithstanding the loss recorded for the Period, the Group remains confident in its current business strategies, and will continue to optimise its cost structure to remain lean in the current weak operating environment in Macau. The Group also plans to ramp-up its overseas gaming system market with machine installations in the second half of 2015.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 30 June 2015, the Group's finance lease and promissory note stood at HK\$127,000 and HK\$72,244,000, respectively, of which HK\$127,000 and nil, respectively were payable within 12 months. Current liabilities of the Group increased from HK\$156,088,000 to HK\$246,526,000, representing an increase of approximately 57.9%. The Group's total liabilities increased from HK\$223,795,000 to HK\$318,770,000, representing an increase of approximately 42.4%.

As at 30 June 2015, the cash on hand and available financial resources were sufficient for financing the ongoing activities of the Group.



## GEARING RATIO

The Group's gearing ratio (defined as the ratio of total outstanding interest bearing borrowing less cash and cash equivalents to total assets (excluding cash and cash equivalents)) as at 30 June 2015 was nil (31 December 2014: nil).

## FOREIGN EXCHANGE EXPOSURE

The Group's operations are primarily based in Macau and the income derived and expenses incurred are denominated in Macau Pataca ("MOP"). On the other hand, the expenses of the headquarter in Hong Kong and the subsidiaries in China are denominated in Hong Kong dollars ("HK\$") and Renminbi ("RMB"), respectively, and are financed by funds raised from the operations in Macau. Due to the stable exchange rates between RMB and HK\$ and between MOP and HK\$, the Directors do not consider specific hedges for currency fluctuation necessary.

## CHARGES ON GROUP ASSETS

As at 30 June 2015, the assets of the Group which were subject to charges for securing obligations under finance lease comprised a motor vehicle with net carrying value of approximately HK\$123,000 (31 December 2014: HK\$190,000).

## ORGANISATION AND EMPLOYEES

The Group had 462 employees (31 December 2014: 453) as at 30 June 2015. A majority of the employees are operational staff and marketing executives in Macau. The Group is actively seeking talents in Macau, Hong Kong and China in order to cope with its fast growing operations.

The terms of employment of the staff, executives and Directors conform to normal commercial practice. The emolument policy for the employees of the Group is principally set up by the Board on the basis of their merit, qualifications, competence and the Group's operating results. Share options are granted to and included in the terms of selected senior executives of the Company.



## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

### (I) SHARES

As at 30 June 2015, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such director or chief executive was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code"), were as follows:

Directors	Name of company/ associated corporation	Capacity/ Nature of interests	Interests in shares (other than pursuant to equity derivatives) <sup>(1)</sup>	Interests in underlying shares pursuant to equity derivatives <sup>(1)</sup>	Total interests in shares/ underlying shares <sup>(1)</sup>	Approximate aggregate percentage of interests
Mr. Jay Chun	The Company	Beneficial owner/Personal interest	124,160	-	630,960,880	59.78%
	The Company	Interest of controlled corporation/ Corporate interest	630,836,720 <sup>(2)</sup>	-		
Mr. Shan Shiyong, alias, Sin Sai Yung	The Company	Interest of controlled corporation/ Corporate interest	26,097,580 <sup>(3)</sup>	-	26,097,580	2.47%

Notes:

- (1) All interests in shares stated above are of par value of HK\$0.001 each and represent long positions.
- (2) These shares were held by August Profit Investments Limited, a company which is wholly owned by Mr. Jay Chun, the Chairman and 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.

Save as disclosed above, none of the Directors and the chief executive of the Company was interested or had any short position in any shares, underlying shares or debentures of the Company and its associated corporation (within the meaning of Part XV of the SFO) as at 30 June 2015.



## (II) SHARE OPTIONS

The share option scheme of the Company adopted on 15 July 2002 (the “Old Share Option Scheme”) expired on 14 July 2007. On 30 July 2007, the Company adopted a new share option scheme (the “Existing Share Option Scheme”) as a result of the expiration of the Old Share Option Scheme.

The Directors did not hold any outstanding share options granted under any share option scheme during the six months ended 30 June 2015.

During the six months ended 30 June 2015, there was no outstanding options granted pursuant to any option scheme of the Company.

As at 30 June 2015, the total number of options available for issue under the Existing Share Option Scheme was 106,398,131 (31 December 2014: 106,398,131), representing 10.08% of the shares in issue of the Company as at 30 June 2015 (31 December 2014: 10.06%).

## SUBSTANTIAL SHAREHOLDERS’ INTERESTS IN SECURITIES

As at 30 June 2015, 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, 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 general meeting of the Company:

Name of shareholder	Nature of interest	Interests in shares (other than pursuant to equity derivatives) <sup>(1)</sup>	Approximate percentage of interests
August Profit Investments Limited <sup>(2)</sup>	Corporate interest	630,836,720	59.77%
FIL Limited	Investment manager	64,204,000	6.08%

Notes:

- (1) All interests in shares stated above are of par value of HK\$0.001 each and represent long positions.
- (2) August Profit Investments Limited is wholly owned by Mr. Jay Chun, the Chairman and an executive Director.

There was duplication of interests in 630,836,720 shares owned by Mr. Jay Chun, the Chairman and an executive Director, and August Profit Investments Limited.



Save as disclosed above, as at 30 June 2015, 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

During the six months ended 30 June 2015, the Company had repurchased 1,956,000 shares of the Company at a total consideration of HK\$5,529,520 on the Stock Exchange.

Details of the repurchases are as follows:

Month of repurchases	Number of shares repurchased	Price per share		Consideration HK\$
		Highest HK\$	Lowest HK\$	
January 2015	1,936,000	2.85	2.81	5,493,120
March 2015	20,000	1.82	1.82	36,400
	<u>1,956,000</u>			<u>5,529,520</u>

Those 1,956,000 shares repurchased were cancelled during the six months ended 30 June 2015.

The repurchases were made for the benefit of the Company and its shareholders as a whole with a view to enhance the net asset value per share and to improve the earnings per share of the Company.

Save as disclosed, 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 2015.



## **AUDIT COMMITTEE**

The audit committee of the Company has reviewed with the management the accounting policies and practices adopted by the Group and discussed auditing, internal control and financial reporting matters, including the review of the unaudited consolidated financial statements for the six months ended 30 June 2015.

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

The Company has complied with the code provisions of the Corporate Governance Code (the “Code”) as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2015, 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 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 of the Company 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 Code, non-executive directors should be appointed for a specific term, subject to re-election. Currently, none of the independent non-executive Directors is appointed for a specific term. However, all Directors (including the independent non-executive Directors) are subject to retirement by rotation at least once every three years at the annual general meeting of the Company in accordance with the provision of the Bye-Laws of the Company, and their terms of appointment will be reviewed when they are due for re-election.



### **CODE PROVISION E.1.2**

Pursuant to code provision E.1.2 of the Code, the Chairman of the Board, and the chairmen of the audit committee, the remuneration committee, the nomination committee and any other committee should attend the annual general meeting. However, the annual general meeting held on 19 June 2015 was chaired by a shareholder of the Company, instead of Mr. Jay Chun or any of the chairmen of the audit committee, remuneration committee, nomination committee and any other committee. Mr. Jay Chun and the chairmen of the audit committee, remuneration committee and nomination committee were unable to attend the annual general meeting as they were engaged in other commitments of the Company.

### **EVENTS AFTER THE REPORTING PERIOD**

In July 2015, the Company repurchased 412,000 shares of the Company at a total consideration of HK\$634,080 on the Stock Exchange. Those 412,000 shares repurchased were cancelled in July 2015. Save as disclosed, there is no event after the reporting period which is required to be disclosed.

### **COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS**

The Company has adopted the Model Code as its code of conduct regarding Directors' securities transactions. Having made specific enquiry of all Directors, the Directors confirmed that they have complied with the requirements set out in the Model Code during the six months ended 30 June 2015.

By Order of the Board  
**Paradise Entertainment Limited**  
**Stella Ho**  
*Company Secretary*

Hong Kong, 28 August 2015

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