



PARADISE ENTERTAINMENT LIMITED
滙彩控股有限公司*

(Incorporated in Bermuda with limited liability)
(Stock Code : 1180)

**INTERIM
REPORT
2023**

* For identification purposes only

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CORPORATE INFORMATION

Place of Incorporation

Bermuda

Board of Directors

Executive Directors

Dr. Jay CHUN, Co-chairman and Managing Director
(also alternate Director to Mr. SHAN Shiyong, alias,
SIN Sai Yung)

Mr. ZHANG Jianjun, Co-chairman

Mr. SHAN Shiyong, alias, SIN Sai Yung

Independent Non-Executive Directors

Mr. LI John Zongyang

Ms. TANG Kiu Sam Alice

Dr. LIU Ka Ying Rebecca (appointed on 28 March 2023)

Mr. Kai-Shing TAO (resigned on 28 March 2023)

Audit Committee

Mr. LI John Zongyang (Chairman)

Ms. TANG Kiu Sam Alice

Dr. LIU Ka Ying Rebecca (appointed on 28 March 2023)

Mr. Kai-Shing TAO (resigned on 28 March 2023)

Remuneration Committee

Mr. LI John Zongyang (Chairman)

Dr. Jay CHUN

Ms. TANG Kiu Sam Alice

Nomination Committee

Dr. Jay CHUN (Chairman)

Mr. LI John Zongyang

Ms. TANG Kiu Sam Alice

Authorised Representatives

Dr. Jay CHUN

Mr. CHAN Kin Man

Company Secretary

Mr. CHAN Kin Man

Registered Office

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

Head Office and Principal Place of Business

Unit C, 19th Floor, Entertainment Building

30 Queen's Road Central

Hong Kong

Bermuda Principal Share Registrar

MUFG Fund Services (Bermuda) Limited

4th Floor North

Cedar House

41 Cedar Avenue

Hamilton HM 12

Bermuda

Hong Kong Branch Share Registrar

Tricor Secretaries Limited

17/F, Far East Finance Centre

16 Harcourt Road

Hong Kong

Hong Kong Legal Advisors

Taylor Wessing

21/F, 8 Queen's Road Central

Hong Kong

Independent Auditor

Deloitte Touche Tohmatsu

Certified Public Accountants

Registered Public Interest Entity Auditor

35/F, One Pacific Place

88 Queensway

Hong Kong

Principal Bankers

Bank of China Limited, Macau Branch

Bank of China (Hong Kong) Limited

Industrial and Commercial Bank of China (Macau) Limited

Industrial and Commercial Bank of China (Asia) Limited

CMB Wing Lung Bank Limited

Banco Well Link, S.A.

Luso International Banking Limited

Tai Fung Bank Limited

Hang Seng Bank Limited

Dah Sing Bank, Limited

Listing Information

Place of Listing

Main Board of the Stock Exchange

Stock Code

1180

Board Lot Size

4,000 Shares

Investor Relations

Tel: (852) 2620 5303

Fax: (852) 2620 6000

Email: paradise.ir@hk1180.com

Website

www.hk1180.com

Corporate Communications

This interim report (both English and Chinese versions) is now available on the websites of the Stock Exchange and the Company at "www.hkexnews.hk" and "www.hk1180.com", respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Financial Review

Overview of Results

Total reported revenue of the Group for the six months ended 30 June 2023 was HK\$246.7 million, representing an increase of 36.2% over that of HK\$181.1 million for the six months ended 30 June 2022. The increase in the total reported revenue of the Group was mainly due to the increase in revenue from the provision of casino management services in Macau. With the Covid-19 pandemic situation being gradually under control, since early 2023, the Macau government has started to ease travel restrictions and lifted its quarantine requirements for inbound business and leisure travellers. As entry quotas were dropped on 6 February 2023, cross-border travel between Mainland China, Hong Kong and Macau has been fully resumed. All these factors have contributed to the increase in arrivals to Macau which also led to an increase in the number of patrons to the casino under the Group's management in Macau during the six months ended 30 June 2023. However, the increase in the total reported revenue of the Group was partially offset by the decrease in revenue from the sale/leasing of electronic gaming equipment and systems in overseas markets.

An analysis of reported revenue by nature is as follows:

	Six months ended 30 June	
	2023 HK\$ million	2022 HK\$ million
Casino under the Group's management in Macau:		
Casino Kam Pek Paradise	240.0	154.0
Electronic gaming equipment and systems:		
Sale/leasing of electronic gaming equipment and systems in Macau*	3.7	4.8
Sale/leasing of electronic gaming equipment and systems overseas	—	21.3
Royalty income from IGT	0.2	1.0
	3.9	27.1
Innovative and renewable energy solutions business in Mainland China	2.8	—
Total reported revenue	246.7	181.1

* Leasing revenue in Macau for the six months ended 30 June 2023 and 30 June 2022 did not include the intercompany revenue derived from the LMG terminals deployed at the casino under the Group's management amounting to HK\$49.8 million (six months ended 30 June 2022: HK\$32.8 million) which was included in the reported revenue of Casino Kam Pek Paradise under the Group's management in the above table.

Adjusted EBITDA for the six months ended 30 June 2023 was a profit of HK\$31.0 million, as compared with a loss of HK\$64.4 million for the six months ended 30 June 2022. The following table reconciles loss for the period to Adjusted EBITDA:

	Six months ended 30 June	
	2023 HK\$ million	2022 HK\$ million
Loss for the period	(3.0)	(96.7)
Adjustments for:		
Interest income	(0.7)	(0.8)
Finance costs	9.6	2.8
Taxation	—	0.2
Depreciation of property, plant and equipment	12.3	15.2
Loss on disposal/write-off of property, plant and equipment	—	2.8
Depreciation of right-of-use assets	6.7	5.6
Gain arising from early termination of lease contracts	(0.1)	—
Loss from change in fair value of convertible loan	—	0.3
Amortisation of intangible assets	6.1	6.1
Net loss on disposal of subsidiaries	—	0.2
Others	0.1	(0.1)
Adjusted EBITDA	31.0	(64.4)

An analysis of Adjusted EBITDA by nature is as follows:

	Six months ended 30 June	
	2023 HK\$ million	2022 HK\$ million
Casino under the Group's management in Macau:		
Casino Kam Pek Paradise	55.8	(23.3)
Electronic gaming equipment and systems:		
Sale/leasing of electronic gaming equipment and systems	(4.0)	(9.4)
Research and development and other costs	(13.7)	(22.0)
ETG distribution from IGT	0.2	1.0
	(17.5)	(30.4)
Other businesses	(0.7)	(3.6)
Corporate and other expenses	(6.6)	(7.1)
Adjusted EBITDA	31.0	(64.4)

Adjusted EBITDA from the casino under the Group's management in Macau segment for the six months ended 30 June 2023 was a profit of HK\$55.8 million, as compared with a loss of HK\$23.3 million for the six months ended 30 June 2022. The turnaround from loss to profit was mainly due to the increase in GGR generated by Casino Kam Pek Paradise in Macau when compared with that generated for the six months ended 30 June 2022, mainly due to the increase in the number of patrons to Casino Kam Pek Paradise as mentioned above.

Adjusted EBITDA from the electronic gaming equipment and systems segment for the six months ended 30 June 2023 was a loss of HK\$17.5 million, as compared with a loss of HK\$30.4 million for the six months ended 30 June 2022. The decrease in loss of the segment was mainly due to the Group's effective cost-saving strategy implemented in response to the Covid-19 pandemic, and specifically, the success in cost control related to research and development and other expenses associated with electronic gaming equipment and systems. These efforts included relocating certain work activities which were previously conducted in overseas offices to offices in Macau and Mainland China.

Adjusted EBITDA of other businesses of the Group for the six months ended 30 June 2023 was a loss of HK\$0.7 million, as compared with a loss of HK\$3.6 million for the six months ended 30 June 2022. The reduction in loss was mainly attributable to the inclusion of a profit of HK\$0.5 million (six months ended 30 June 2022: nil) in the Adjusted EBITDA from the Group's innovative and renewable energy solutions business in Mainland China which commenced during the six months ended 30 June 2023 and the success in streamlining the loss-making high-tech health innovative business of the Group since late 2022.

Due to the aforementioned reasons, the Group recorded a loss of HK\$3.0 million for the six months ended 30 June 2023, which was significantly reduced as compared with the loss of HK\$96.7 million for the six months ended 30 June 2022.

Provision of Casino Management Services in Macau

The following table sets out the average numbers of gaming tables, LMG terminals and slot machines which were in operation in Casino Kam Pek Paradise under the Group's management for the six months ended 30 June 2023 and 30 June 2022:

	Six months ended 30 June	
	2023	2022
Traditional gaming tables	23	37
LMG gaming tables	9	9
LMG terminals	872	495
Slot machines	95	102

Pursuant to a new service contract entered into between SJM Resorts and the Group on 30 December 2022 for the Group's provision of casino management services in Casino Kam Pek Paradise for the period from 1 January 2023 to 31 December 2025, the Group has been allocated quotas for managing 30 gaming tables and 100 slot machines in Casino Kam Pek Paradise. Pursuant to an offer letter issued by SJM Resorts to the Group on 23 May 2023 which was accepted by the Group on 5 June 2023, the Group has been further allocated quotas for managing 10 gaming tables in Casino Kam Pek Paradise for the period from 8 May 2023 to 31 October 2023, the extension of which is subject to consent between both parties concerned.

As at 30 June 2023, the Group managed a total of 40 (as at 31 December 2022: 47) gaming tables in Casino Kam Pek Paradise, 40 (as at 31 December 2022: 33) of which were in operation as at that date.

The following table sets out certain key operational data of gaming tables, LMG terminals and slot machines which were in operation in Casino Kam Pek Paradise under the Group's management for the six months ended 30 June 2023 and 30 June 2022:

		Six months ended 30 June	
		2023	2022
Traditional gaming tables			
GGR	(HK\$ million)	190.5	119.6
Gaming tables	(Average no. of tables)	23	37
Net win/table/day	(HK\$ thousand)	45.8	17.9
LMG gaming tables			
GGR	(HK\$ million)	226.5	148.9
Terminals/gaming tables	(Average no. of terminals/tables)	872/9	495/9
Net win/terminal/day	(HK\$)	1,435	1,662
Net win/table/day	(HK\$ thousand)	139.0	91.4
Total gaming tables			
GGR	(HK\$ million)	417.0	268.5
Gaming tables	(Average no. of tables)	32	46
Net win/table/day	(HK\$ thousand)	72.0	32.2
Slot machines			
GGR	(HK\$ million)	22.5	14.6
Slot machines	(Average no. of units)	95	102
Net win/unit/day	(HK\$)	1,309	791
Total GGR	(HK\$ million)	439.5	283.1

For the six months ended 30 June 2023, total GGR generated by Casino Kam Pek Paradise amounted to HK\$439.5 million, representing an increase of 55.2% over that of HK\$283.1 million for the six months ended 30 June 2022.

A breakdown of revenue attributable to the Group for the casino under the Group's management in Macau for the six months ended 30 June 2023 and 30 June 2022 is as follows:

		Six months ended 30 June	
		2023	2022
		HK\$ million	HK\$ million
Casino Kam Pek Paradise:			
Traditional gaming tables		104.8	65.8
LMG gaming tables		124.6	81.9
Slot machines		10.6	6.3
		240.0	154.0

Total revenue attributable to the Group generated by Casino Kam Pek Paradise for the six months ended 30 June 2023 was HK\$240.0 million, representing an increase of 55.8% over that of HK\$154.0 million for the six months ended 30 June 2022.

Development, Sale and Leasing of Electronic Gaming Equipment and Systems and Royalty Income from IGT

Sale/Leasing of Electronic Gaming Equipment and Systems in Macau

For the six months ended 30 June 2023, revenue from the sale/leasing of electronic gaming equipment and systems in Macau amounted to HK\$3.7 million, representing a decrease of 22.9% over that of HK\$4.8 million for the six months ended 30 June 2022. Revenue for the six months ended 30 June 2023 in Macau comprised revenue of (i) HK\$2.2 million (six months ended 30 June 2022: HK\$2.5 million) derived mainly from the provision of upgrading services to 62 (six months ended 30 June 2022: 84) LMG terminals and other services in Macau; and (ii) HK\$1.5 million (six months ended 30 June 2022: HK\$2.3 million) derived from leasing of electronic gaming equipment and systems.

Sale/Leasing of Electronic Gaming Equipment and Systems Overseas

For the six months ended 30 June 2023, the Group did not generate any revenue from the sale/leasing of electronic gaming equipment and systems in overseas markets (six months ended 30 June 2022: HK\$21.3 million). Revenue for the six months ended 30 June 2022 in overseas markets comprised revenue of (i) HK\$20.3 million derived mainly from the sale of 498 units of slot machine; and (ii) HK\$1.0 million derived from the leasing of slot machines and other electronic gaming equipment and systems. Under the prevalence of the Covid-19 pandemic, the Group's deployment strategy during that period in the North American markets was to promote sale rather than leasing of slot machines and other electronic gaming equipment and systems. The Group managed to dispose of all the units in the year ended 31 December 2022 and accordingly, there was no revenue from the sale/leasing of electronic gaming equipment and systems in overseas markets recorded for the six months ended 30 June 2023. In tandem with various cost-saving measures taken to contain the expenditure during the pandemic period, the expansion of our self-developed slot machines business to the North American markets as well as the related research and development activities were slowed down. As the global economic growth is expected to be on the rising trend after the pandemic, the Group has planned to invest relatively more in developing innovative new electronic gaming equipment and systems for overseas markets going forward, in particular the North American markets.

Royalty income from IGT

In April 2016, the Group entered into a strategic agreement with IGT whereby the Group has 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 related ETG machine deployed in the global market (other than Macau).

With reference to the royalty statements provided by IGT to the Group, the Group recognised royalty income of HK\$0.2 million for the six months ended 30 June 2023 (six months ended 30 June 2022: HK\$1.0 million). Up to 30 June 2023, the Group has accumulatively recognised a total royalty income of HK\$14.6 million from IGT.

Innovative and Renewable Energy Solutions Business in Mainland China

In addition to the Group's core gaming business as mentioned above (namely, the provision of casino management services in Macau, and the development, sale and leasing of electronic gaming equipment and systems), during the six months ended 30 June 2023, the Group has commenced a new business of engaging in the supply of smart charging stations and smart charging equipment for electric motorcycles, bicycles, and vehicles, etc. to customers in Mainland China.

During the six months ended 30 June 2023, this business contributed a revenue of HK\$2.8 million (six months ended 30 June 2022: not applicable) to the Group's reported revenue.

Prospects

The impact of the Covid-19 pandemic on the global economy has further weakened. With the lifting of quarantine restrictions and reopening of borders, we are pleased to see that the market is gradually stepping out of the negative impact of the Covid-19 pandemic and heading towards the path of normality. According to published statistical information, total GGR in Macau for the second quarter of 2023 amounted to MOP45.5 billion, representing an increase of 31.5% quarter-on-quarter when compared with that of the first quarter of 2023 of MOP34.6 billion. Moreover, total GGR in Macau for the first six months of 2023 was MOP80.1 billion, attained a rise of 204.6% year-on-year when compared with that of the corresponding period in 2022 of MOP26.3 billion, even though it only represented 53.6% of that of MOP149.5 billion of the pre-pandemic level in the corresponding period in 2019. Total number of visitors to Macau for the six months ended 30 June 2023 was approximately 11.6 million, representing an increase of 236.1% as compared with that of the same period last year, even though it only accounted for 57.1% of that of 20.3 million in the corresponding period in 2019 before the pandemic.

With the reopening of borders between Hong Kong, Macau and Mainland China, revenue from the provision of casino management services for Casino Kam Pek Paradise in Macau has made a significant contribution to the improvement on the Group's business and financial results. Reported revenue of the Group derived from Casino Kam Pek Paradise for the six months ended 30 June 2023 was HK\$240.0 million, representing an increase of 55.8% over that of HK\$154.0 million for the six months ended 30 June 2022. The enactment of the new gaming law coupled with the issuance of new gaming concessions last year marked an important milestone for the healthy and orderly development of the Macau gaming industry, in that it not only provided a set of clear and succinct regulations and guidelines to the business participants, forming a solid prognosis of the current situation and future trends, but also fully unleashed the intrinsic development potentials of the Macau gaming market.

As one of the world's leading electronic gaming equipment and systems technology-driven suppliers, we are committed to innovation, research and development to offer a wide range of diversified and advanced gaming-related products to both gaming patrons and casino operators. As always, we will continue in our unwavering commitment to invest in the development of high-tech gaming products and utilise the research and development results of frontier technology in order to strive to establish our core competitiveness as a major electronic gaming equipment and systems supplier with prominent influence and reputation in the industry.

While our core gaming businesses are no doubt crucial to our growth, we also recognise the importance of seeking diversified expansion of the Group's business portfolio in related industries, thereby expanding the Group's sources of income and future earning capability, and creating greater value for our Shareholders and other stakeholders. We are delighted to embrace the implementation of the policies and measures adopted or announced by the government in Mainland China with an aim to fulfilling its strategic goals of "Peaking Carbon Emissions" and "Achieving Carbon Neutrality", to reduce carbon emissions, to increase its intended national contributions in response to climate change, and to promote comprehensive green transformation in economic and social development. To integrate our business strategy into China's national long-term environmental development plan, the Group has commenced a new business activity of engaging in the supply of smart charging stations and related equipment for electric motorcycles, bicycles, and vehicles, etc. (collectively, "E-Vehicles") to customers in Mainland China. The Group believes that, given the increasing promotion of the use of innovative and renewable energy and reduction of carbon emissions, there is a potential growing demand for E-Vehicles and related smart charging stations and equipment in Mainland China. The Group plans to invest more in this area to attain the Group's strategic development goals of becoming a provider of comprehensive solutions to smart charging. As a high-tech enterprise, the Group will continue to invest in high technology and research and development, and launch new high-tech innovative products to contribute to our country's technology development and environmental protection.

Looking ahead, despite that global economies and Macau gaming industries are expected to recover from the Covid-19 pandemic, we do not expect a full recovery can be attained in the short term as the global business environment will generally remain unstable from a macro-economic point of view, for example, continue to be plagued by geopolitical risks, energy shortages, and trade frictions between leading countries, coupled with unfavorable factors such as high inflation and interest rate hikes, etc. Against the backdrop of the current global challenges, we are pleased to witness encouraging figures in terms of GGR, spending and visitation, and additionally, the ease of travel to Macau for customers from Mainland China, Hong Kong and elsewhere remained a competitive advantage as compared with other gaming jurisdictions. Macau, no doubt, remains as an unparalleled gaming hub in the world. The Group remains optimistic about Macau's gaming industry outlook in the long term. On the other hand, to mitigate the impacts of climate change and ensure energy security, countries around the world will continue to increase their investments in the innovative and renewable energy solutions business, which is undoubtedly facing unprecedented development opportunities. The Group will continue to keep abreast of market trends and adopt a prudent approach to secure more business opportunities.

Interim Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2023.

Liquidity and Financial Resources

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

The Group has adopted a prudent financial management approach towards its financial and treasury policies. During the six months ended 30 June 2023, the Group was on track with this approach to maintain a healthy liquidity position. The Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time. The Group may utilise the balance of cash for appropriate investment in accordance with the Group's strategic direction and development.

As at 30 June 2023, the consolidated net assets of the Group amounted to HK\$153.6 million, representing a decrease of HK\$4.1 million or 2.6% from HK\$157.7 million as at 31 December 2022. The decrease in consolidated net assets of the Group was mainly due to the Group's loss of HK\$3.0 million for the six months ended 30 June 2023.

Pledged Bank Deposits, Bank Balances and Cash

As at 30 June 2023, the Group held pledged bank deposits of HK\$47.3 million, and bank balances and cash of HK\$56.1 million.

The Group's pledged bank deposits of HK\$47.3 million as at 30 June 2023 comprised fixed deposits totalling HK\$46.5 million (denominated in HK\$, the Group's functional currency, and placed at a Macau bank with an original maturity of 12 months) and HK\$0.8 million (denominated in MOP and placed at a Macau bank with an original maturity of 12 months). The Group's other bank deposits and cash of HK\$56.1 million as at 30 June 2023 were mainly denominated in HK\$, MOP and US\$. Given that MOP is pegged to HK\$ and HK\$ is linked to US\$, the Group considers the exposure to exchange rate risk normal for its bank deposits denominated in MOP and US\$.

Loans from a Shareholder

As at 30 June 2023, the Group had the following outstanding loan facilities offered by Dr. Chun:

- Pursuant to a deed of loan dated 14 March 2022 and subsequent deeds of amendment entered into between Dr. Chun and the Group, Dr. Chun agreed to provide a loan facility amounting to HK\$120.0 million to the Group. The loan is conducted on normal commercial terms and is unsecured, carries interest at 10% per annum and has a maturity date on 31 March 2024. Any amounts repaid by the Group under the loan facility could be re-drawn or re-borrowed during the term of the deed of loan. As at 30 June 2023, total outstanding loan principal under the deed of loan was HK\$34.5 million; and
- Pursuant to two other deeds of loan dated 18 January 2023 entered into between Dr. Chun and the Group, Dr. Chun agreed to provide term loan facilities totalling HK\$70.0 million for a 3-year period to the Group. The loans are conducted on normal commercial terms and are unsecured, carry interest at 12.5% per annum and are repayable in monthly instalments. The loans have been fully drawn down by the Group during the six months ended 30 June 2023. As at 30 June 2023, total outstanding loan principal under these deeds of loan was HK\$64.1 million.

Borrowings and Gearing Ratio

As at 30 June 2023, the Group had total outstanding indebtedness of HK\$230.9 million (31 December 2022: HK\$188.3 million) comprising:

- (1) secured and unguaranteed bank borrowings of HK\$129.8 million (31 December 2022: HK\$120.6 million) (*note i*);
- (2) unsecured and unguaranteed bank borrowing of HK\$0.2 million (31 December 2022: HK\$0.5 million) (*note ii*);
- (3) unsecured and unguaranteed loans from a Shareholder of HK\$98.6 million (31 December 2022: HK\$65.0 million) (*note iii*);
- (4) unsecured and unguaranteed other borrowing of HK\$0.4 million (31 December 2022: HK\$0.4 million) (*note iv*); and
- (5) unsecured and unguaranteed amounts due to Directors of HK\$1.9 million (31 December 2022: HK\$1.8 million) (*note v*).

Notes:

- (i) The bank borrowings carried interest at prevailing market rates and were on floating rate basis.
- (ii) The bank borrowing carried interest at a fixed rate of 4% per annum.
- (iii) The loans from a Shareholder as at 30 June 2023 carried interest at fixed rates of 10% or 12.5% per annum.
- (iv) The other borrowing was interest-free.
- (v) The amounts due to Directors were interest-free.

The maturity profile of the bank borrowings, other borrowing and the loans from a Shareholder totalling HK\$229.0 million as at 30 June 2023 spread over a period of more than five years, with HK\$65.9 million repayable within one year, HK\$36.1 million in the second year, HK\$57.8 million in the third to fifth year, and HK\$69.2 million over five years. The amounts due to Directors of HK\$1.9 million as at 30 June 2023 were repayable on demand. The Group's bank borrowings, other borrowing, loans from a Shareholder and amounts due to Directors were denominated in MOP, HK\$ and RMB. Given that MOP is pegged to HK\$, the Group considers that the exposure to exchange rate risk is normal for its indebtedness denominated in MOP. The exchange rate of RMB against HK\$ fluctuated during the six months ended 30 June 2023. For accounting purposes, the Group's loans from a Shareholder denominated in RMB were retranslated into HK\$ at the exchange rate as at 30 June 2023 which results in a net unrealised gain of HK\$0.5 million being recognised in the Group's results for the six months ended 30 June 2023 (six months ended 30 June 2022: not applicable as there was no borrowing denominated in RMB as at 30 June 2022).

The Group's gearing ratio (expressed as a percentage of consolidated total borrowings over consolidated net assets of the Group) as at 30 June 2023 was 150.3% (31 December 2022: 119.4%). The increase in the Group's gearing ratio was mainly due to the net addition of loans from a Shareholder of HK\$33.6 million and the inception of a new bank borrowing of HK\$11.0 million during the six months ended 30 June 2023.

During the six months ended 30 June 2023, the Group did not employ any financial instrument for hedging purposes.

Capital Commitments

As at 30 June 2023, the Group had capital commitments in respect of acquisition of property, plant and equipment which is contracted for but not provided for in the condensed consolidated financial statements of HK\$4.0 million (31 December 2022: HK\$6.6 million). The capital commitments will be funded by internal resources of the Group.

Foreign Exchange Exposure

The majority of the Group's income and expenses, bank deposits and borrowings are denominated in HK\$ (the Group's functional currency), MOP, RMB and US\$. HK\$ are linked to US\$ and the exchange rate between these two currencies has remained relatively stable over the past several years. MOP is pegged to HK\$, and in many cases the two currencies are used interchangeably in Macau. Due to the stable exchange rates between HK\$ and US\$ and between HK\$ and MOP, the Group does not consider any specific hedge for the fluctuation of US\$ or MOP against HK\$ is necessary. The Group has net exchange exposure to RMB as it maintains certain bank deposits and loans from a Shareholder denominated in RMB during the six months ended 30 June 2023. The Group manages its foreign currency risk of RMB against HK\$ by closely monitoring the movement of the exchange rate and may consider specific hedge for significant foreign exchange exposure should additional needs arise.

Charges on Group's Assets

As at 30 June 2023, the Group had charges on its leasehold land and buildings with a total carrying amount of HK\$196.2 million and bank fixed deposits of HK\$47.3 million, details of which are as follows:

- (1) leasehold land and buildings with carrying amount of HK\$113.6 million to secure a bank borrowing offered by a bank to the Group;
- (2) leasehold land and buildings with carrying amount of HK\$82.6 million to secure bank borrowings offered by a bank to the Group;
- (3) bank fixed deposits totalling HK\$46.5 million to secure a guarantee issued by a bank in favour of SJM Resorts in the amount of HK\$45.7 million for the period from 15 May 2020 to 31 December 2026 for the Group's fulfilment of all its obligations, including the reimbursement by the Group to SJM Resorts of the employees' compensation and benefits for those gaming operation employees employed by SJM Resorts who work for the casino under the Group's management in Macau, as stipulated under the service agreements (and all related supplemental agreements) entered into between SJM Resorts and the Group for the provision of casino management services by the Group to SJM Resorts; and
- (4) bank fixed deposit of HK\$0.8 million to secure a guarantee issued by a bank relating to certain subsidies granted by the Macau government to the Group.

Contingent Liabilities

As at 30 June 2023, the Group did not have any significant contingent liabilities.

Material Acquisitions and Disposals, and Significant Investments

There were no material acquisitions or disposals (including material acquisitions and disposals of subsidiaries, associates and joint ventures), or significant investments of the Group during the six months ended 30 June 2023.

Future Plans for Material Investments or Capital Assets

As at 30 June 2023 and the date of this interim report, save as disclosed under the sub-section headed “Capital Commitments” above, the Group had no other plans for material investments or capital assets.

Employees and Remuneration Policy

As at 30 June 2023, the Group had approximately 700 employees, including approximately 440 gaming operation employees who were employed by SJM Resorts to work for Casino Kam Pek Paradise under the Group’s management. These gaming operation employees were paid by SJM Resorts and the Group reimbursed SJM Resorts in full for their salaries and other benefits.

Total staff costs, including Directors’ emoluments, for the six months ended 30 June 2023 amounted to HK\$109.7 million (six months ended 30 June 2022: HK\$125.5 million), including HK\$54.0 million (six months ended 30 June 2022: HK\$56.9 million) for gaming operation employees employed by SJM Resorts for Casino Kam Pek Paradise.

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 of the Company 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, share awards, retirement benefits, subsidised medical care, pension funds and training programmes are offered to eligible employees of the Group.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Directors' and Chief Executives' Interests in Securities

As at 30 June 2023, 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 (within the meaning of Part XV of the SFO), 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 Director	Name of company/ associated corporation	Capacity/ nature of interests	Number of Shares ⁽¹⁾	Approximate aggregate percentage of interests ⁽⁴⁾
Dr. Chun	The Company	Beneficial owner	124,160	0.01%
	The Company	Interest of controlled corporation	630,836,720 ⁽²⁾	59.95%
			<u>630,960,880</u>	<u>59.96%</u>
Mr. Shan Shiyong, alias, Sin Sai Yung	The Company	Interest of controlled corporation	<u>26,097,580⁽³⁾</u>	<u>2.48%</u>

Notes:

- (1) All interests in Shares stated above represent long positions.
- (2) These Shares were held by August Profit Investments Limited, a company wholly-owned by Dr. Chun.
- (3) These Shares were held by Best Top Offshore Limited, a company 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 total number of issued Shares as at 30 June 2023.

Save as disclosed above, as at 30 June 2023, none of the Directors and the chief executives of the Company were 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 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.

Substantial Shareholders' Interests in Shares

As at 30 June 2023, 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 executives of the Company, the following persons or corporations, other than Directors or chief executives of the Company, had an interest or a short position in the Shares and underlying 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 were directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at a general meeting of the Company:

Name of company	Number of Shares ⁽¹⁾	Approximate percentage of interests ⁽⁴⁾
August Profit Investments Limited ⁽²⁾	630,836,720	59.95%
FIL Limited ⁽³⁾	77,504,000	7.37%
Pandanus Partners L.P. ⁽³⁾	77,504,000	7.37%
Pandanus Associates Inc. ⁽³⁾	77,504,000	7.37%

Notes:

- (1) All interests in Shares stated above represent long positions.
- (2) August Profit Investments Limited is wholly-owned by Dr. Chun.
- (3) To the best of the Directors' knowledge, FIL Limited is controlled (as defined under the SFO) by Pandanus Partners L.P., which in turn is controlled (as defined under the SFO) by Pandanus Associates Inc. Those 77,504,000 Shares represent the same interests and are therefore duplicated among them.
- (4) The percentage represents the number of Shares interested divided by the total number of issued Shares as at 30 June 2023.

Save as disclosed above, as at 30 June 2023, the Company had not been notified of any person or corporation who was interested 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.

Share Option Scheme

The Company adopted the Share Option Scheme on 25 May 2017 for the purposes of providing incentives or rewards to eligible participants for their 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, consultants and suppliers. 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. Accordingly, the remaining life of the Share Option Scheme is approximately four years.

No options were granted by the Company, exercised, cancelled or lapsed under the Share Option Scheme and no equity-settled employees' benefit (including Directors' emoluments) was recognised in this connection during the six months ended 30 June 2023. Accordingly, there is no Share that may be issued in respect of options granted (if any) during the six months ended 30 June 2023.

There was no share option outstanding under the Share Option Scheme as at 1 January 2023, during the six months ended 30 June 2023 and as at 30 June 2023.

As at the beginning and the end of the six months ended 30 June 2023 and the date of this interim report, the total number of options available for grant under the Share Option Scheme is 105,218,531, representing rights to subscribe for 105,218,531 Shares that may be issued pursuant to the Share Option Scheme, being 10% of the total number of Shares in issue as at the date of adoption of the Share Option Scheme (i.e., 25 May 2017) and as at the date of this interim report. Further details of the Share Option Scheme are set out in the Annual Report 2022.

Share Award Scheme

The Company adopted the Share Award Scheme on 11 November 2019 for the purposes of, among others, providing incentives and/or rewards to eligible participants for their contribution to the development and success of the Group. Eligible participants of the Share Award Scheme include, among others, the Directors (including executive Directors, non-executive Directors and independent non-executive Directors), the directors of the Company's subsidiaries and the employees of the Group. The Share Award Scheme shall be valid and effective for a term of ten years commencing on the date of adoption of the Share Award Scheme. Accordingly, the remaining life of the Share Award Scheme is approximately six years.

In December 2019, the Company appointed a trustee in connection with the Share Award Scheme (the "Trustee") to assist with the administration and vesting of awards under the Share Award Scheme and the trust deed executed in such connection.

No awards were granted by the Company, vested, cancelled or lapsed under the Share Award Scheme and no equity-settled employees' benefit (including Directors' emoluments) was recognised in this connection during the six months ended 30 June 2023. Accordingly, there is no Share that may be issued in respect of awards granted (if any) during the six months ended 30 June 2023.

There was no award outstanding under the Share Award Scheme as at 1 January 2023, during the six months ended 30 June 2023 and as at 30 June 2023. No Shares were purchased by the Trustee under the Share Award Scheme since the adoption of the scheme and up to 30 June 2023.

As at the beginning and the end of the six months ended 30 June 2023 and the date of this interim report, the total number of awards available for grant under the Share Award Scheme is 105,218,531, with the underlying 105,218,531 Shares representing 10% of the total number of Shares in issue as at the date of adoption of the Share Award Scheme (i.e., 11 November 2019) and as at the date of this interim report. Further details of the Share Award Scheme are set out in the Annual Report 2022.

The Company did not grant any option or award under the Share Option Scheme and Share Award Scheme during the six months ended 30 June 2023, and there is no Share that may be issued from the grant of any option or award.

Purchase, Sale or Redemption of the Company's Shares

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2023.

Issue for Cash of Equity Securities

During the six months ended 30 June 2023, the Company did not issue for cash any equity securities (including securities convertible into equity securities).

Update on Directors' Information

Biographical details of each of the Directors are set out in the Annual Report 2022.

On 28 March 2023, Mr. Kai-Shing Tao tendered his resignation as an independent non-executive Director and Dr. Liu Ka Ying Rebecca was appointed as an independent non-executive Director. Further details of the resignation and the appointment of Directors are set out in the Company's announcement dated 28 March 2023.

Save as disclosed, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Corporate Governance

Compliance with the CG Code

In the opinion of the Board, the Company has complied with the code provisions as set out in the CG Code throughout the six months ended 30 June 2023, save for the following deviation:

Code Provision C.2.1

Code provision C.2.1 of the CG Code stipulates that the roles of chairman of board of directors and chief executive officer should be separate and should not be performed by the same individual.

During the six months ended 30 June 2023, Dr. Chun and Mr. Zhang Jianjun are Co-chairmen of the Board and responsible for the management of the Board and ensuring that all major and appropriate issues are discussed by the Board in a timely and constructive manner. Dr. Chun also serves as the Managing Director of the Company at the same time.

Dr. Chun takes care of the day-to-day management of the Group's business and implements the Group's policies, strategic plans and business goals formulated by the Board. In the opinion of the Board, the roles of the Managing Director and the chief executive officer are the same. Although Dr. Chun is both a Co-chairman of the Board and the Managing Director of the Company, the powers have been shared between the two Co-chairmen and Mr. Zhang Jianjun would also exercise his power and authorities as a Co-chairman of the Board in managing the affairs of the Board and the Company. The Board believes that the present structure provides the Group with strong and consistent leadership and allows for efficient and effective business planning and execution, while the balance of power and authority for the present arrangement has been and is adequately ensured to protect the interests of the Company and the Shareholders by the current Board, which also comprises the Co-chairmen of the Board with professional background and experience, with sufficient number of independent non-executive Directors that can scrutinise important decisions with their independent judgment and monitor the power exercised by the Co-chairmen of the Board and the Managing Director of the Company. Hence, the Board believes that it is in the best interest of the Shareholders that Dr. Chun will continue to assume the roles of a Co-chairman of the Board and the Managing Director of the Company. The Company will review the current structure as and when it becomes appropriate in the future.

Compliance with the Model Code

The Company has adopted the Model Code as the code of conduct regarding Directors' securities transactions. Having made specific enquiry of all Directors, all Directors have confirmed that they had complied with the requirements set out in the Model Code during the six months ended 30 June 2023.

Review of Interim Report 2023 and Unaudited Condensed Consolidated Financial Statements for the six months ended 30 June 2023

The Interim Report 2023 of the Company including the unaudited condensed consolidated financial statements of the Company for the six months ended 30 June 2023 has been reviewed by the audit committee of the Board. The unaudited condensed consolidated financial statements of the Company for the six months ended 30 June 2023 have also been reviewed by Deloitte Touche 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 Hong Kong Institute of Certified Public Accountants.

Events After the Reporting Period

There is no important event after 30 June 2023 which is required to be disclosed.

By Order of the Board

Paradise Entertainment Limited

Dr. Jay Chun

Co-chairman and Managing Director

29 August 2023

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

TO THE BOARD OF DIRECTORS OF PARADISE ENTERTAINMENT LIMITED

(incorporated in Bermuda with limited liability)

Introduction

We have reviewed the condensed consolidated financial statements of Paradise Entertainment Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 19 to 42, which comprise the condensed consolidated statement of financial position as of 30 June 2023 and the related condensed consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review 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 Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong
29 August 2023

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2023

	NOTES	Six months ended 30 June	
		2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Revenue	3	246,718	181,138
Cost of sales and services		(131,815)	(160,877)
Gross profit		114,903	20,261
Other income, gains and losses		8,236	4,528
Marketing, selling and distribution costs		(43,102)	(24,293)
Operating and administrative expenses		(67,321)	(88,164)
Amortisation of intangible assets		(6,068)	(6,069)
Finance costs	5	(9,626)	(2,757)
Loss before taxation	6	(2,978)	(96,494)
Taxation	7	(44)	(184)
Loss for the period		(3,022)	(96,678)
Profit (loss) for the period attributable to:			
— owners of the Company		680	(87,930)
— non-controlling interests		(3,702)	(8,748)
		(3,022)	(96,678)
		HK cents (unaudited)	HK cents (unaudited)
Basic earnings (loss) per share	9	0.1	(8.4)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Loss for the period	(3,022)	(96,678)
Other comprehensive income for the period:		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of foreign operations	1,679	3,128
Total comprehensive expense for the period	(1,343)	(93,550)
Total comprehensive income (expense) for the period attributable to:		
— owners of the Company	2,317	(85,082)
— non-controlling interests	(3,660)	(8,468)
	(1,343)	(93,550)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023

	NOTES	At 30 June 2023 HK\$'000 (unaudited)	At 31 December 2022 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	10	231,696	239,129
Right-of-use assets		31,687	35,877
Intangible assets		26,299	32,367
Interests in a joint venture		—	—
Deferred tax assets		164	—
Other assets		26,203	13,523
Pledged bank deposits		47,346	31,174
		363,395	352,070
Current assets			
Inventories		44,451	37,590
Trade and other receivables	11	47,665	33,613
Amount due from a joint venture		42	—
Amount due from a related company	12	2,256	3,816
Convertible loan		—	—
Bank balances and cash		56,145	20,179
		150,559	95,198
Current liabilities			
Trade and other payables	13	58,994	52,217
Amounts due to directors	14	1,900	1,773
Taxation payable		3,892	3,684
Bank borrowings — due within one year	15	9,330	6,087
Other borrowing — due within one year	16	69	69
Lease liabilities		14,805	13,651
Contract liabilities	17	33,122	7,190
Loans from a shareholder	18	56,538	64,960
		178,650	149,631
Net current liabilities		(28,091)	(54,433)
Total assets less current liabilities		335,304	297,637

	NOTES	At 30 June 2023 HK\$'000 (unaudited)	At 31 December 2022 HK\$'000 (audited)
Non-current liabilities			
Bank borrowings — due after one year	15	120,682	115,036
Other borrowing — due after one year	16	277	312
Lease liabilities		18,632	24,599
Loans from a shareholder	18	42,066	—
		181,657	139,947
Net assets			
		153,647	157,690
Capital and reserves			
Share capital	19	1,052	1,052
Reserves		130,579	128,262
Equity attributable to owners of the Company		131,631	129,314
Non-controlling interests		22,016	28,376
Total equity			
		153,647	157,690

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

	Attributable to owners of the Company				Subtotal HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
	Share capital HK\$'000	Contributed surplus HK\$'000 (note)	Translation reserve HK\$'000	Accumulated losses HK\$'000			
At 31 December 2022 (audited)	1,052	1,020,504	22,758	(915,000)	129,314	28,376	157,690
Profit (loss) for the period	—	—	—	680	680	(3,702)	(3,022)
Other comprehensive income for the period	—	—	1,637	—	1,637	42	1,679
Total comprehensive income (expense) for the period	—	—	1,637	680	2,317	(3,660)	(1,343)
Dividend recognised as distribution to non-controlling interests (note 20)	—	—	—	—	—	(2,700)	(2,700)
At 30 June 2023 (unaudited)	1,052	1,020,504	24,395	(914,320)	131,631	22,016	153,647
At 31 December 2021 (audited)	1,052	1,020,504	18,775	(760,435)	279,896	39,131	319,027
Loss for the period	—	—	—	(87,930)	(87,930)	(8,748)	(96,678)
Other comprehensive income for the period	—	—	2,848	—	2,848	280	3,128
Total comprehensive income (expense) for the period	—	—	2,848	(87,930)	(85,082)	(8,468)	(93,550)
Deregistration of a subsidiary	—	—	—	—	—	570	570
At 30 June 2022 (unaudited)	1,052	1,020,504	21,623	(848,365)	194,814	31,233	226,047

Note: The contributed surplus represents the aggregate of: (i) the difference between the nominal amount of the share capital issued by the Company and the aggregate of the nominal amount of the issued share capital and the share premium of LifeTec (Holdings) Limited, the subsidiary which was acquired by the Company pursuant to the group reorganisation in 1996; (ii) the effects of the capital reduction, the share premium cancellation and the elimination to accumulated losses took place in 1999 and 2013; (iii) the effect of the reduction of share premium took place in 2017; and (iv) the effect of dividend for the year ended 31 December 2018 paid in 2019.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Operating cash flows before movements in working capital	29,868	(57,041)
(Increase) decrease in inventories and others	(7,067)	5,346
(Increase) decrease in trade and other receivables	(20,330)	23,250
Increase (decrease) in contract liabilities	25,932	(3,100)
Increase (decrease) in trade and other payables	6,583	(1,207)
Increase in other assets	(12,114)	—
Other changes in working capital	1,518	(6,687)
Cash from (used in) operations	24,390	(39,439)
Income tax paid	—	(377)
Net cash from (used in) operating activities	24,390	(39,816)
Investing activities		
Placement of pledged bank deposits	(16,482)	(430)
Payments for rental and other deposits	(321)	(751)
Purchases of property, plant and equipment	(3,703)	(3,602)
Deposits paid for acquisition of property, plant and equipment	(63)	(1,356)
Proceeds from rental deposits refunded	2,196	1,195
Interest received	409	764
Proceeds from release of pledged bank deposits	310	—
Proceeds on disposal of property, plant and equipment	219	—
Net cash used in investing activities	(17,435)	(4,180)
Financing activities		
Loans from a shareholder	70,000	30,000
Repayment of loans from a shareholder	(35,882)	—
New bank borrowing raised	11,030	—
Advances from directors	127	30
Interest paid	(9,432)	(2,521)
Repayment of lease liabilities	(7,223)	(5,436)
Repayment of bank borrowings	(2,141)	(4,929)
Repayment of other borrowing	(35)	(34)
Net cash from financing activities	26,444	17,110
Net increase (decrease) in cash and cash equivalents	33,399	(26,886)
Effect of foreign exchange rate changes	2,567	(492)
Cash and cash equivalents at 1 January	20,179	64,043
Cash and cash equivalents at 30 June, represented by Bank balances and cash	56,145	36,665

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

1. General Information and Basis of Preparation

Paradise Entertainment Limited (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 of Hong Kong Limited (the “Stock Exchange”). The addresses of the registered office and principal place of business of the Company are disclosed in the “Corporate Information” section of this interim report.

The condensed consolidated financial statements are presented in Hong Kong dollars (“HK\$”), which is also the functional currency of the Company, and have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

Going concern assessment

The directors of the Company have, at the time of approving the condensed consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the condensed consolidated financial statements.

The condensed consolidated financial statements have been prepared on a going concern basis. As at 30 June 2023, the Group had cash and cash equivalents of HK\$56,145,000 and net current liabilities of HK\$28,091,000. The Group has prepared a cash flow forecast which involves making assumptions, judgments and estimations of key input variables pertaining to market conditions including the future economic conditions, increased competition, the regulatory environment, the growth rates of the gaming markets. The cash flow forecast has been determined using estimations of future cash flows based upon projected income and expenses of the business, projected capital expenditure and working capital needs for a period of not less than twelve months from 30 June 2023.

The Macau government has awarded SJM Resorts, Limited (“SJM Resorts”) a new gaming concession for a period of ten years from 1 January 2023 up to 31 December 2032. On 30 December 2022, the Group extended its service agreement with SJM Resorts for the provision of casino management services in Casino Kam Pek Paradise, a satellite casino of SJM Resorts in Macau, for the period from 1 January 2023 to 31 December 2025.

The Group believes it will have sufficient liquidity after considering the cash on hand, the expected cash to be used in and generated from operations, the terms of the existing bank and other borrowings, and the loan facilities offered by Dr. Jay Chun, a shareholder and an executive director of the Company, to the Group to meet its financial obligations as they fall due for the following twelve months from the date of this report.

2. Significant Accounting Policies

The condensed consolidated financial statements have been prepared on the historical cost basis except for convertible loan, which is measured at fair value at the end of each reporting period.

Other than the change in accounting policies resulting from the application of the 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 2023 are the same as those presented in the Group’s annual consolidated financial statements for the year ended 31 December 2022.

2. Significant Accounting Policies (Continued)

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied the following new and amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2023 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

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

Impacts and changes in accounting policies on application of Amendments to HKAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to the lease liabilities, and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

As disclosed in the Group's annual financial statements for the year ended 31 December 2022, the Group previously applied the HKAS 12 requirements to assets and liabilities arising from a single transaction separately and temporary differences on initial recognition on the relevant assets and liabilities were not recognised due to application of the initial recognition exemption. In accordance with the transition provision:

- (i) the Group has applied the new accounting policy retrospectively to leasing transactions that occurred on or after 1 January 2022; and
- (ii) the Group also, as at 1 January 2022, recognised a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary difference associated with right-of-use assets and lease liabilities.

The application of the amendments has had no material impact on the Group's financial position and performance, except that the Group recognised the related deferred tax assets of HK\$1,362,000 and deferred tax liabilities of HK\$1,362,000 on a gross basis as at 1 January 2022 but it had no material impact on the accumulated losses as at that date.

3. Revenue

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

	Six months ended 30 June	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Casino management services:		
Provision of casino management services, recognised over time	240,052	154,041
Gaming systems:		
— Macau		
Sale of electronic gaming equipment and systems, recognised at a point in time	2,182	2,502
Leasing of electronic gaming equipment and systems		
— variable operating lease payments	1,499	2,295
	3,681	4,797
— Overseas		
Sale of electronic gaming equipment and systems, recognised at a point in time	—	20,352
Leasing of electronic gaming equipment and systems		
— variable operating lease payments	—	959
	—	21,311
— Royalty income, recognised over time	179	989
	3,860	27,097
Sale of smart charging equipment, recognised at a point in time	2,806	—
	246,718	181,138
Analysis of revenue:		
Recognised over time	240,231	155,030
Recognised at a point in time	4,988	22,854
Revenue recognition for revenue from contracts with customers	245,219	177,884
Leasing income — variable operating lease payments	1,499	3,254
	246,718	181,138

4. Segment Information

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

Casino management services	—	Provision of casino management services in Macau
Gaming systems	—	Development, sale and leasing of electronic gaming equipment and systems and royalty income
Innovative and renewable energy solutions business	—	Supply of smart charging stations and smart charging equipment for electric motorcycles, bicycles, and vehicles, etc.

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

Information regarding the above segments is reported below:

For the six months ended 30 June 2023 (unaudited)

	Casino management services HK\$'000	Gaming systems HK\$'000	Innovative and renewable energy solutions business HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Segment revenue	240,052	3,860	2,806		246,718
Segment results	37,514	(23,156)	292		14,650
Unallocated corporate income					5,095
Unallocated corporate expenses					(13,097)
Finance costs					(9,626)
Loss before taxation					(2,978)
Taxation					(44)
Loss for the period					(3,022)
Other information					
Capital expenditure	1,030	5,562	1,322	725	8,639
Amortisation of intangible assets	6,068	—	—	—	6,068
Depreciation of property, plant and equipment	7,131	4,504	25	644	12,304
Depreciation of right-of-use assets	5,416	1,534	146	(363)	6,733
Loss (gain) on disposal/write-off of property, plant and equipment	—	2	—	(16)	(14)
Gain arising from early termination of lease contracts	(88)	(5)	—	—	(93)
Write-down of inventories	—	195	—	11	206

4. Segment Information (Continued)

For the six months ended 30 June 2022 (unaudited)

	Casino management services HK\$'000	Gaming systems HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Segment revenue	154,041	27,097		181,138
Segment results	(39,937)	(39,609)		(79,546)
Unallocated corporate income				6,751
Unallocated corporate expenses				(20,942)
Finance costs				(2,757)
Loss before taxation				(96,494)
Taxation				(184)
Loss for the period				(96,678)
Other information				
Capital expenditure	4,856	11,750	191	16,797
Amortisation of intangible assets	6,069	—	—	6,069
Depreciation of property, plant and equipment	9,254	4,741	1,169	15,164
Depreciation of right-of-use assets	1,539	1,947	2,133	5,619
Loss on disposal/write-off of property, plant and equipment	—	2,790	3	2,793
Gain arising from early termination of lease contracts	—	(4)	—	(4)
Loss from change in fair value of convertible loan	—	—	347	347
Write-down of inventories	—	3,533	18	3,551

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

4. Segment Information (Continued)

Geographical information

The Group's operations are principally located in Macau, the United States of America ("U.S.") and mainland of the People's Republic of China ("PRC").

Information about the Group's revenue from external customers is presented based on the location of the operations.

	Six months ended 30 June	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Macau	243,733	158,838
U.S.	179	22,300
The PRC	2,806	—
	246,718	181,138

The Group's non-current assets (excluding financial assets) are mainly located in Macau.

Information about major customers

During the six months ended 30 June 2023, revenue derived from one customer (six months ended 30 June 2022: two customers), which individually contributed over 10% of the Group's revenue, is as follows:

	Six months ended 30 June	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Customer A — Casino management services segment	240,052	154,041
Customer B — Gaming systems segment	N/A	21,311
	240,052	175,352

5. Finance Costs

	Six months ended 30 June	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Interest on:		
— bank borrowings	1,862	1,516
— loans from a shareholder	5,703	887
— lease liabilities	2,061	354
	9,626	2,757

6. Loss Before Taxation

	Six months ended 30 June	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Loss before taxation has been arrived at after charging:		
Directors' emoluments	8,204	8,119
Other staff costs		
— Salaries and other benefits	46,439	59,178
— Retirement benefit scheme contributions	1,047	1,315
Total staff costs	55,690	68,612
Cost of inventories recognised as expenses (included in cost of sales and services)	2,128	17,622
Depreciation of property, plant and equipment	12,304	15,164
Depreciation of right-of-use assets	6,733	5,619
Short-term lease rentals in respect of rented premises	255	8,836
Variable lease rentals in respect of rented premises which are not included in lease liabilities	10,845	10,973
Commission expenses for casino management services (included in marketing, selling and distribution costs)	18,013	9,029
Loss on write-off of property, plant and equipment (included in other income, gains and losses)	—	2,793
Research and development expenditure (note i) (included in operating and administrative expenses)	15,070	28,783
Loss from change in fair value of convertible loan (included in other income, gains and losses)	—	347
Write-down of inventories (included in cost of sales and services)	206	3,551
and after crediting:		
Covid-19-related rent concessions (note ii)	—	227
Interest on convertible loan (included in other income, gains and losses)	—	237
Net gain on disposal/write-off of property, plant and equipment (included in other income, gains and losses)	14	—
Gain arising from early termination of lease contracts (included in other income, gains and losses)	93	4

Notes:

- (i) Research and development expenditure for the six months ended 30 June 2023 of HK\$15,070,000 (six months ended 30 June 2022: HK\$28,783,000) includes staff costs of HK\$10,045,000 (six months ended 30 June 2022: HK\$16,520,000), depreciation of property, plant and equipment of HK\$1,074,000 (six months ended 30 June 2022: HK\$680,000), depreciation of right-of-use assets of HK\$347,000 (six months ended 30 June 2022: HK\$1,370,000) which are also included in the respective total amounts disclosed separately above.
- (ii) During the six months ended 30 June 2022, lessors of certain office premises and staff quarters of the Group provided rent concessions to the Group through rent reductions ranging from 24% to 100% over three to six months.

These were rent concessions that occurred as a direct consequence of the Covid-19 pandemic, which met all of the conditions in HKFRS 16.46B and the Group applied the practical expedient not to assess whether the changes constituted lease modifications. The effects of the changes in lease payments due to forgiveness or waiver by the lessors for the relevant leases of HK\$227,000 were recognised as negative variable lease payments for six months ended 30 June 2022.

7. Taxation

	Six months ended 30 June	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Current taxation charges:		
– Lump sum dividend tax	184	184
– PRC Enterprise Income Tax	24	—
	208	184
Deferred tax credit	(164)	—
	44	184

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

The provision for taxation for operating subsidiaries established in the PRC is calculated on the assessable profit at the PRC Enterprise Income Tax rate of 25% prevailing in the PRC.

No provision for Macau Complementary Tax (“Macau CT”) has been made in the condensed consolidated financial statements as the Group did not generate any assessable profit in Macau for both periods.

Pursuant to the letter issued by the Financial Services Bureau of the Macau government dated 28 October 2020, 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 Resorts is not subject to Macau CT for the period from 1 April 2020 to 26 June 2022 since it is derived from SJM Resorts’ gaming revenue, for which gaming revenue is exempted from Macau CT pursuant to the terms of no. 2 of article 28 of the Law 16/2001 and the exemption granted by Despach no. 378/2011 of 23 November 2011. The Group is in the progress of obtaining the extension of approval from Financial Service Bureau of the Macau government for the period from 1 January 2023 to 31 December 2025.

Pursuant to the letter issued by the Financial Services Bureau of the Macau government dated 28 October 2020, LT Macau is obligated to pay a lump sum dividend withholding tax of Macau Pataca (“MOP”) 190,000 (equivalent to HK\$184,000) for the period from 1 January 2022 to 26 June 2022, 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 casino at Casino Kam Pek Paradise. The lump sum tax payment is required regardless of whether dividends were actually distributed or whether LT Macau had distributable profits in the relevant period. For the six months ended 30 June 2023, provision for taxation of HK\$184,000 (six months ended 30 June 2022: HK\$184,000) has been recognised which was charged to the condensed consolidated statement of profit or loss.

No provision for taxation for overseas subsidiaries has been made in the condensed consolidated financial statements as the Group has no assessable profit arising from operations of these subsidiaries for both periods.

8. Dividend

No dividend was paid, declared or proposed in respect of both interim periods. The directors of the Company have determined that no dividend will be paid in respect of the six months ended 30 June 2023.

9. Earnings (Loss) Per Share

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

	Six months ended 30 June	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Earnings (loss)		
Profit (loss) for the period attributable to owners of the Company for the purposes of basic earnings (loss) per share	680	(87,930)

	Six months ended 30 June	
	2023 '000 (unaudited)	2022 '000 (unaudited)
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings (loss) per share	1,052,185	1,052,185

For the six months ended 30 June 2023 and 30 June 2022, no diluted earnings (loss) per share were presented as there were no dilutive potential ordinary shares.

10. Property, Plant and Equipment

	At 30 June 2023 HK\$'000 (unaudited)	At 31 December 2022 HK\$'000 (audited)
	<i>Carrying amounts</i>	
Leasehold land and buildings	196,235	199,938
Leasehold improvements	4,789	5,361
Plant and machinery	26,779	29,134
Furniture, fixtures and equipment	3,319	3,841
Motor vehicles	574	855
	231,696	239,129

During the six months ended 30 June 2023, the Group acquired property, plant and equipment of HK\$5,133,000 (six months ended 30 June 2022: HK\$12,737,000).

11. Trade and Other Receivables

	At 30 June 2023 HK\$'000 (unaudited)	At 31 December 2022 HK\$'000 (audited)
Trade receivables, net (note i)	28,265	5,069
Deposits paid	5,520	7,304
Loan receivable (note ii)	6,970	7,799
Other receivables (note iii)	4,040	11,147
Prepayments	2,870	2,294
	47,665	33,613

Notes:

- (i) At the end of the reporting period, trade receivables comprise amounts receivable from a gaming operator 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.

As at 30 June 2023, trade receivables of HK\$28,265,000 (31 December 2022: HK\$5,069,000) comprised receivables from contracts with customers and lease receivables of HK\$27,974,000 (31 December 2022: HK\$4,134,000) and HK\$291,000 (31 December 2022: HK\$935,000), respectively.

Before accepting any new customer, the Group gathers and assesses the credit information of the potential customer for 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. As at 30 June 2023, included in the Group's trade receivable balances were receivables with an aggregate carrying amount of HK\$27,618,000 (31 December 2022: HK\$4,398,000) which are not past due. The directors of the Company considered that trade receivables are of good credit quality given the continuous settlements from the gaming operator and other customers and forward-looking information such as the economic outlook.

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

As at 30 June 2023, included in the Group's trade receivables balance were receivables with aggregate carrying amount of HK\$647,000 (31 December 2022: HK\$671,000) which are past due as at the reporting date. Out of the past due balances at 30 June 2023, HK\$24,000 (31 December 2022: HK\$4,000) was past due 90 days or more and was not considered as in default based on historical repayment pattern from the specific debtors. The Group does not hold any collateral over these balances.

As at 30 June 2023, 97.7% (31 December 2022: 86.8%) of the trade receivables that are not credit-impaired had the best credit scoring attributable under the internal credit scoring system used by the Group.

11. Trade and Other Receivables (Continued)

Notes: (Continued)

(i) (Continued)

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

	At 30 June 2023 HK\$'000 (unaudited)	At 31 December 2022 HK\$'000 (audited)
Age:		
0–30 days	27,618	4,398
31–60 days	604	225
61–90 days	1	421
91–180 days	42	25
	28,265	5,069

- (ii) The amount represented a loan granted by the Group to a third party which is a company incorporated in Japan and principally engaged in the development and manufacture of gaming products. The loan is unsecured, bears interest at the rate of 8% per annum and is guaranteed by a director of an indirect non-wholly owned subsidiary of the Company who also holds an 18% shareholding in this non-wholly owned subsidiary. The maturity date of the outstanding loan principal and accrued interest is 5 October 2023. At 30 June 2023, an amount of the interest receivable of HK\$51,000 (31 December 2022: HK\$1,613,000) accrued from the loan was included in other receivables.
- (iii) Included in other receivables of the Group as at 31 December 2022 was receivable from SJM Resorts of HK\$5,600,000 which represented the amount of all the chips on hand transferred by the Group to SJM Resorts on 31 December 2022. Chips on hand represent chips issued by a gaming operator in Macau which can be exchanged into their cash amounts. The chips on hand transferred to SJM Resorts were exchanged into cash to the Group subsequent to 31 December 2022. The Group did not hold any chips on hand as at 30 June 2023.

12. Amount Due from a Related Company

The amount due from a related company is trade in nature, unsecured and interest-free. The related company is a company wholly-owned by the brother-in-law of Dr. Jay Chun, a shareholder and an executive director of the Company.

The Group normally allows a credit period with an average of 30 days to the related company.

As at 30 June 2023, the amount due from a related company of HK\$2,256,000 (31 December 2022: HK\$3,816,000) was aged over 365 days (31 December 2022: over 180 days) based on invoice date. The balance was not credit-impaired at the end of the reporting period.

13. Trade and Other Payables

	At 30 June 2023 HK\$'000 (unaudited)	At 31 December 2022 HK\$'000 (audited)
Trade payables	15,774	17,858
Accrued staff costs	4,692	4,998
Accrued promotional expenses	15,114	11,097
Deposits received	560	560
Payable for acquisition of property, plant and equipment	4,717	4,717
Other sundry payables	13,529	9,994
Other accrued expenses	4,608	2,993
	58,994	52,217

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

	At 30 June 2023 HK\$'000 (unaudited)	At 31 December 2022 HK\$'000 (audited)
Age:		
0–30 days	4,719	5,540
31–60 days	2,729	2,267
61–90 days	1,854	2,160
91–365 days	3,742	7,430
Over 365 days	2,730	461
	15,774	17,858

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

14. Amounts Due to Directors

The amounts due to directors of the Company are unsecured, interest-free and repayable on demand.

15. Bank Borrowings

	At 30 June 2023 HK\$'000 (unaudited)	At 31 December 2022 HK\$'000 (audited)
Bank borrowings		
Secured bank mortgage loans (note i)	129,796	120,584
Unsecured bank loan (note ii)	216	539
	130,012	121,123
The bank borrowings are repayable as follows*:		
Within one year	9,330	6,087
Within a period of more than one year but not exceeding two years	10,407	9,736
Within a period of more than two years but not exceeding five years	41,109	31,069
More than five years	69,166	74,231
	130,012	121,123
Less: Amounts due within 12 months shown under current liabilities	(9,330)	(6,087)
	120,682	115,036

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

Notes:

(i) At 30 June 2023, the bank mortgage loans carried interest at prevailing market rates and were on floating rate basis. The weighted average effective interest rate of the bank mortgage loans was 3.22% (31 December 2022: 3.03%) per annum.

At 30 June 2023, the bank mortgage loans were secured by mortgages over the Group's leasehold land and buildings with an aggregate carrying amount of HK\$196,235,000 (31 December 2022: HK\$199,938,000). The bank mortgage loans are denominated in MOP and HK\$.

(ii) As at 30 June 2023, the unsecured bank loan carried a fixed interest rate of 4% (31 December 2022: 4%) per annum.

16. Other Borrowing

	At 30 June 2023 HK\$'000 (unaudited)	At 31 December 2022 HK\$'000 (audited)
Unsecured other borrowing	346	381
The other borrowing is repayable as follows*:		
Within one year	69	69
Within a period of more than one year but not exceeding two years	69	69
Within a period of more than two years but not exceeding five years	208	208
More than five years	—	35
	346	381
Less: Amounts due within 12 months shown under current liabilities	(69)	(69)
	277	312

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

As at 30 June 2023 and 31 December 2022, the unsecured other borrowing was interest-free. The other borrowing is denominated in MOP.

17. Contract Liabilities

Contract liabilities comprise deposits received from customers (i) in relation to the sale of electronic gaming equipment and systems which are recognised when the goods are approved by the local regulatory authority and delivered, on-site installation is satisfied as per terms of relevant sale contracts and titles have been passed and (ii) in relation to the sale of smart charging equipment which are recognised when goods are delivered and titles have been passed.

As at 30 June 2023, the amount of HK\$30,942,000 (31 December 2022: HK\$5,010,000) will be recognised as revenue when the Group performs its obligations under the contracts which are expected to be completed within one year from the end of the reporting period, while amount of HK\$2,180,000 (31 December 2022: HK\$2,180,000) represents an obligation to transfer goods to the customers at a later date. The fulfilment date of the contract is uncertain at this time, and as a result, the contract liability has been classified as a current liability.

The increase in contract liabilities as at 30 June 2023 when compared with 31 December 2022 is due to an increase in deposits from customers received before the Group has satisfied the performance obligations for sale of electronic gaming equipment and systems and smart charging equipment.

18. Loans from a Shareholder

	At 30 June 2023 HK\$'000 (unaudited)	At 31 December 2022 HK\$'000 (audited)
Loans from a shareholder of the Company		
2022 Loan Facility (note i)	34,486	64,960
2023 Loan Facilities (note ii)	64,118	—
	98,604	64,960
The loans from a shareholder of the Company are repayable as follows*:		
Within one year	56,538	64,960
Within a period of more than one year but not exceeding two years	25,612	—
Within a period of more than two years but not exceeding five years	16,454	—
	98,604	64,960
Less: Amounts due within 12 months shown under current liabilities	(56,538)	(64,960)
Amounts due after 12 months shown under non-current liabilities	42,066	—

* The amounts due are based on scheduled repayment dates set out in the deeds of loans.

Notes:

- (i) During the year ended 31 December 2022, the Group entered into a deed of loan which was amended by a deed of amendment (the deed of loan together with its amendment(s) from time to time collectively referred to as the “Deed of Loan”) with Dr. Jay Chun, a shareholder and an executive director of the Company, pursuant to which Dr. Jay Chun agreed to provide a loan facility (the “2022 Loan Facility”) amounting to HK\$120,000,000 to the Group to strengthen the liquidity of the Group. The loans drawn down under the 2022 Loan Facility are unsecured, carry interest at 10% per annum and had an original maturity date of 31 December 2023.

During the six months ended 30 June 2023, the Deed of Loan was further amended pursuant to which the maturity date of the 2022 Loan Facility was extended from 31 December 2023 to 31 March 2024 and a clause was added to permit any amounts repaid by the Group could be re-drawn or re-borrowed during the term of the Deed of Loan.

Except for an amount of HK\$6,486,000 (31 December 2022: HK\$6,960,000) as at 30 June 2023 which was denominated in Renminbi, the amounts drawn down under the 2022 Loan Facility as at 30 June 2023 and 31 December 2022 were denominated in HK\$.

- (ii) During the six months ended 30 June 2023, the Group entered into two other deeds of loan with Dr. Jay Chun pursuant to which Dr. Jay Chun agreed to provide term loan facilities (the “2023 Loan Facilities”) with an aggregate amount of HK\$70,000,000 for a 3-year period to the Group. The loans are unsecured, carry interest at 12.5% per annum and are repayable in monthly instalments. During the six months ended 30 June 2023, the loans had been fully drawn down by the Group.

The 2023 Loan Facilities as at 30 June 2023 were denominated in HK\$.

19. Share Capital

	Number of shares '000	Share capital HK\$'000
Ordinary shares of HK\$0.001 each		
Authorised:		
At 31 December 2021 (audited), 31 December 2022 (audited) and 30 June 2023 (unaudited)	1,000,000,000	1,000,000
Issued and fully paid:		
At 31 December 2021 (audited), 31 December 2022 (audited) and 30 June 2023 (unaudited)	1,052,185	1,052

20. Major Non-cash Transactions

During the six months ended 30 June 2023, an interim dividend was declared by a non-wholly owned subsidiary of the Company. The non-controlling shareholder of the subsidiary assigned its dividend entitled amounting to HK\$2,700,000 (six months ended 30 June 2022: nil) to the borrower of the loan mentioned in note 11(ii) for partial settlement of the loan principal and interest payable by the borrower to the Group.

During the six months ended 30 June 2022, property, plant and equipment of HK\$12,710,000 were transferred to inventories. There was no such transaction during the six months ended 30 June 2023.

During the six months ended 30 June 2023, the Group entered into new lease contracts for the use of certain leased properties. On the lease commencement, the Group recognised right-of-use assets of HK\$3,506,000 (six months ended 30 June 2022: HK\$4,060,000) and lease liabilities of HK\$3,506,000 (six months ended 30 June 2022: HK\$4,060,000) during the six months ended 30 June 2023.

21. Capital Commitments

	At 30 June 2023 HK\$'000 (unaudited)	At 31 December 2022 HK\$'000 (audited)
Capital expenditure in respect of property, plant and equipment contracted for but not provided for in the condensed consolidated financial statements	3,986	6,618

22. Fair Value Measurements of Financial Instruments

Other than the convertible loan, fair value of financial assets and financial liabilities was determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

Valuation techniques and significant unobservable inputs are used to determine the fair value of convertible loan. The fair value measurement is classified as Level 3 under fair value hierarchy.

Convertible loan is measured at fair value at the end of the reporting period. The following table gives information about how the fair value of the financial assets is determined (in particular, the valuation technique(s) and inputs used).

Fair value of the convertible loan that was measured at fair value as at 31 December 2022 on a recurring basis:

Financial asset	Fair value HK\$'000	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Sensitivity/relationship of unobservable inputs to fair value
Financial asset at fair value through profit or loss: Convertible loan	31 December 2022: Nil	Level 3	Discounted cash flow model with discount rate as the key input	31 December 2022: 15.56%	N/A

During the six months ended 30 June 2022, unrealised loss from change in fair value of convertible loan of HK\$347,000 was recognised in the condensed consolidated financial statements of the Group (included in other income, gains and losses). The convertible loan matured on 30 April 2023 without the options attached to it being exercised by the issuer or the holder. After 30 April 2023, the convertible loan has been carried as an interest-free loan without any fixed repayment terms.

The directors of the Company consider that the carrying amounts of all financial assets and financial liabilities recorded at amortised cost at the end of each reporting period approximate their corresponding fair values.

23. Related Party Transactions

Except for disclosures made 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	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Sale of electronic gaming equipment and systems (note i)	—	20,352
Leasing of electronic gaming equipment and systems (note i)	—	959
Consultancy fee (note ii)	—	60
Staff costs (note iii)	969	1,899
Sale of frozen food and products (note iv)	—	794
Interest on convertible loan (note iv)	—	237
Interest on loans from a shareholder (note v)	5,703	887

Notes:

- (i) The related party is a company wholly-owned by the brother-in-law of Dr. Jay Chun, a shareholder and an executive director of the Company. The transactions were charged at pre-determined amounts agreed between the parties involved. 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 Dr. Jay Chun, a shareholder and an executive director of the Company. The transactions were charged at pre-determined amounts agreed between the parties involved.
- (iii) The related party is the spouse of Dr. Jay Chun, a shareholder and an executive director of the Company. The transactions were charged at pre-determined amounts agreed between the parties involved.
- (iv) The related party is a joint venture of the Group. The transactions were charged at pre-determined amount or rate agreed between the parties involved.
- (v) The transaction was charged at pre-determined rates of loans advanced by Dr. Jay Chun, a shareholder and an executive director of the Company, to the Group.

Key management personnel compensation represents the amounts paid to the directors of the Company, details of which are set out in note 6.

Transactions described in notes (ii), (iii), (iv) and (v) above either constitute fully exempt connected transactions or continuing connected transactions, or do not fall within the definition of connected transactions or continuing connected transactions for the purpose of Chapter 14A of the Listing Rules.

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, taxation, depreciation of property, plant and equipment, gain or loss on disposal/write-off of property, plant and equipment, depreciation of right-of-use assets, gain or loss on early termination of lease contracts, gain or loss from change in fair value of convertible loan, amortisation of intangible assets, gain or loss on acquisition or disposal of subsidiaries, and costs incurred or associated with corporate exercises or potential projects, where applicable
“Annual Report 2022”	the annual report of the Company for the year ended 31 December 2022 dated 28 March 2023
“Board”	the board of Directors
“CG Code”	the Corporate Governance Code contained in Appendix 14 to the Listing Rules
“Company”	Paradise Entertainment Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange
“Director(s)”	the director(s) of the Company
“Dr. Chun”	Dr. Jay Chun, the controlling Shareholder, a Co-chairman of the Board, an executive Director and the Managing Director of the Company
“ETG”	electronic table game
“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
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IGT”	a Nevada corporation and a subsidiary of International Game Technology PLC, which is listed on the New York Stock Exchange under the trading symbol “IGT”
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“LMG”	live multi game
“Macau” or “Macao”	the Macao Special Administrative Region of the PRC
“Model Code”	the Model Code for Securities Transactions 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
“RMB”	Renminbi, the lawful currency of the PRC
“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 Award Scheme”	the share award scheme of the Company adopted by the Company on 11 November 2019
“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 Resorts”	SJM Resorts, Limited, one of the concessionaires for operation of casinos in Macau
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$”	the United States dollars, the lawful currency of the United States of America
“%”	per cent