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PARADISE ENTERTAINMENT LIMITED

滙彩控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1180)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

RESULTS

The Board announces the audited consolidated annual results of the Group for the year ended 31 December 2019 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2019

	Notes	**2019** *HK$'000*	2018 *HK$'000*
Revenue	*4*	**1,181,754**	1,164,207
Cost of sales and services		**(675,243)**	(633,201)
Gross profit		**506,511**	531,006
Other income, gains and losses		**18,886**	15,670
Marketing, selling and distribution costs		**(229,919)**	(235,868)
Operating and administrative expenses		**(271,768)**	(244,398)
Amortisation of intangible assets		**(12,138)**	(12,138)
Finance costs	*6*	**(3,421)**	(712)
Share of losses of joint ventures		**(2,149)**	—
Profit before taxation	*7*	**6,002**	53,560
Taxation credit (charge)	*8*	**4,558**	(403)
Profit for the year		**10,560**	53,157
Profit for the year attributable to:			
— Owners of the Company		**926**	58,224
— Non-controlling interests		**9,634**	(5,067)
		10,560	53,157
Earnings per Share:	*10*		
— Basic		**HK0.1 cent**	HK5.5 cents
— Diluted		**N/A**	N/A

* *For identification purposes only*

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	2019	2018
	HK$'000	*HK$'000*
Profit for the year	**10,560**	53,157
Other comprehensive expense:		
Item that will not be reclassified to profit or loss:		
Fair value loss on investment in equity instruments designated at fair value through other comprehensive income	**(62)**	(1,277)
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**(852)**	(917)
Other comprehensive expense for the year	**(914)**	(2,194)
Total comprehensive income for the year	**9,646**	50,963
Total comprehensive income (expense) for the year attributable to:		
— Owners of the Company	**5**	56,264
— Non-controlling interests	**9,641**	(5,301)
	9,646	50,963

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Non-current assets			
Property, plant and equipment	*11*	**310,393**	246,938
Right-of-use assets		**18,093**	—
Intangible assets		**68,781**	80,919
Interests in joint ventures		**3,540**	—
Investment in equity instruments designated at fair value through other comprehensive income		**1,366**	1,428
Other assets		**5,906**	4,363
		408,079	333,648
Current assets			
Inventories		**61,545**	78,998
Trade and other receivables	*12*	**163,860**	176,199
Amount due from a joint venture		**195**	—
Amount due from related companies		**1,140**	901
Pledged bank deposit		**28,800**	28,800
Bank balances and cash		**245,612**	264,827
		501,152	549,725
Current liabilities			
Trade and other payables	*13*	**127,158**	151,492
Amounts due to Directors		**2,109**	2,239
Amounts due to joint ventures		**184**	—
Taxation payable		**6,912**	11,878
Bank borrowings — due within one year	*14*	**8,776**	5,048
Lease liabilities		**10,659**	—
		155,798	170,657
Net current assets		**345,354**	379,068
Total assets less current liabilities		**753,433**	712,716
Non-current liabilities			
Bank borrowings — due after one year	*14*	**137,055**	83,998
Lease liabilities		**7,894**	—
		144,949	83,998
Net assets		**608,484**	628,718
Capital and reserves			
Share capital	*15*	**1,052**	1,052
Reserves		**555,563**	581,863
Equity attributable to owners of the Company		**556,615**	582,915
Non-controlling interests		**51,869**	45,803
		608,484	628,718

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its Shares are listed on the Main Board of the Stock Exchange. Its ultimate holding company is August Profit Investments Limited, a company established in the British Virgin Islands. In the opinion of the Directors, the Company's ultimate controlling party is Mr. Jay Chun, who is also an executive Director. The address of the registered office of the Company is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and principal place of business of the Company is Unit C, 19/F., Entertainment Building, 30 Queen's Road Central, Hong Kong.

The Company is an investment holding company of a diverse group of companies that are principally engaged in the provision of casino management services, and the development, sale and leasing of electronic gaming equipment and systems.

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Listing Rules and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for investment in equity instruments designated at fair value through other comprehensive income that is measured at fair value at the end of each reporting period. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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

3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

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

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

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

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

HKFRS 16 "Leases"

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 "Determining whether an Arrangement contains a Lease" and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening accumulated losses and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

(i) elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

(ii) excluded initial direct costs from measuring the right-of-use assets at the date of initial application;

(iii) applied a single discount rate to a portfolio of leases with similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of properties in Macau, Hong Kong, the PRC and the U.S. were determined on a portfolio basis for each location respectively; and

(iv) used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessees' incremental borrowing rate applied is 2.86%.

	At 1 January 2019
	HK$'000
Operating lease commitments disclosed as at 31 December 2018	**49,247**
Less: Recognition exemption — short-term leases	**(25,891)**
	23,356
Lease liabilities discounted at relevant incremental borrowing rates	**(1,206)**
Lease liabilities relating to operating leases recognised upon application of HKFRS 16 as at 1 January 2019	**22,150**
Analysed as	
Current	**8,833**
Non-current	**13,317**
	22,150

The carrying amount of right-of-use assets for own use as at 1 January 2019 comprises the following:

	HK$'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	22,150
By class:	
Leasehold land and buildings	21,614
Motor vehicles	536
	22,150

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018	**Adjustments**	**Carrying amounts under HKFRS 16 at 1 January 2019**
	HK$'000	*HK$'000*	*HK$'000*
Non-current asset			
Right-of-use assets	—	22,150	22,150
Current liability			
Lease liabilities	—	(8,833)	(8,833)
Non-current liability			
Lease liabilities	—	(13,317)	(13,317)

Note: For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 December 2019, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 January 2019 as disclosed above.

Amendments to HKAS 28 "Long-term Interests in Associates and Joint Ventures"

The amendments clarify that an entity applies HKFRS 9 "Financial Instruments" ("HKFRS 9"), including the impairment requirements, to long-term interests in a joint venture to which the equity method is not applied that form part of the net investment in the investee. Furthermore, in applying HKFRS 9 to long-term interests, an entity does not take into account adjustments to their carrying amount required by HKAS 28 (i.e. adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with HKAS 28).

As at 31 December 2019, amount due from a joint venture of HK$5,665,000 is considered as long-term interests that, in substance form part of the Group's net investments in the relevant joint ventures. However, the application is not expected to have impact as the Group's existing accounting policies are consistent with the requirements clarified by the amendments.

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts[1]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[3]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[4]

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

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

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

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

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, "the Amendments to References to the Conceptual Framework in HKFRS Standards", will be effective for annual periods beginning on or after 1 January 2020.

Except for the new and amendments to HKFRSs mentioned below, the Directors anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to HKAS 1 and HKAS 8 "Definition of Material"

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgments. In particular, the amendments:

- include the concept of "obscuring" material information in which the effect is similar to omitting or misstating the information;

- replace threshold for materiality influencing users from "could influence" to "could reasonably be expected to influence"; and

- include the use of the phrase "primary users" rather than simply referring to "users" which was considered too broad when deciding what information to disclose in the financial statements.

The amendments also align the definition across all HKFRSs and will be mandatorily effective for the Group's annual period beginning on 1 January 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

Conceptual Framework for Financial Reporting 2018 (the "New Framework") and the Amendments to References to the Conceptual Framework in HKFRS Standards

The New Framework:

- reintroduces the terms stewardship and prudence;
- introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument;
- discusses historical cost and current value measures, and provides additional guidance on how to select a measurement basis for a particular asset or liability;
- states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances other comprehensive income will be used and only for income or expenses that arise from a change in the current value of an asset or liability; and
- discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements.

Consequential amendments have been made so that references in certain HKFRSs have been updated to the New Framework, whilst some HKFRSs are still referred to the previous versions of the framework. These amendments are effective for annual periods beginning on or after 1 January 2020, with earlier application permitted. Other than specific standards which still refer to the previous versions of the framework, the Group will rely on the New Framework on its effective date in determining the accounting policies especially for transactions, events or conditions that are not otherwise dealt with under the accounting standards.

4. REVENUE

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

	2019	2018
	HK$'000	*HK$'000*
Casino management services:		
Provision of casino management services, recognised over time	**1,004,223**	1,066,939
Electronic gaming equipment and systems:		
Sale of electronic gaming equipment and systems, recognised at a point in time	**169,832**	88,696
Leasing of electronic gaming equipment and systems	**5,164**	5,902
Royalty income, recognised over time	**2,535**	2,670
	177,531	97,268
Total	**1,181,754**	1,164,207
Analysis of revenue:		
Recognised over time	**1,006,758**	1,069,609
Recognised at a point in time	**169,832**	88,696
Revenue recognition for revenue from contracts with customers	**1,176,590**	1,158,305
Leasing income	**5,164**	5,902
Total	**1,181,754**	1,164,207

5. SEGMENT INFORMATION

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

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

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

Information regarding the above segments is reported below:

For the year ended 31 December 2019

	Casino management services *HK$'000*	**Gaming systems** *HK$'000*	**Unallocated** *HK$'000*	**Consolidated** *HK$'000*
Segment revenue	**1,004,223**	**177,531**		**1,181,754**
Segment results	**53,297**	**(6,036)**		**47,261**
Unallocated corporate income				**19**
Unallocated corporate expenses				**(35,708)**
Finance costs				**(3,421)**
Share of losses of joint ventures				**(2,149)**
Profit before taxation				**6,002**
Taxation credit				**4,558**
Profit for the year				**10,560**
Other information				
Capital expenditure	**10,098**	**102,632**	**1,460**	**114,190**
Amortisation of intangible assets	**12,138**	**—**	**—**	**12,138**
Depreciation of property, plant and equipment	**48,367**	**10,094**	**925**	**59,386**
Depreciation of right-of-use assets	**4,034**	**2,636**	**4,423**	**11,093**
Write-down of inventories	**—**	**5,945**	**—**	**5,945**

For the year ended 31 December 2018

	Casino management services *HK$'000*	Gaming systems *HK$'000*	Unallocated *HK$'000*	Consolidated *HK$'000*
Segment revenue	1,066,939	97,268		1,164,207
Segment results	138,345	(56,738)		81,607
Unallocated corporate income				8
Unallocated corporate expenses				(27,343)
Finance costs				(712)
Profit before taxation				53,560
Taxation charge				(403)
Profit for the year				53,157
Other information				
Capital expenditure	22,392	148,565	48	171,005
Amortisation of intangible assets	12,138	—	—	12,138
Depreciation of property, plant and equipment	50,101	6,870	1,113	58,084
Loss allowance on financial assets	—	258	—	258
Write-down of inventories	—	4,961	—	4,961

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

6. FINANCE COSTS

	2019	2018
	HK$'000	*HK$'000*
Interests on:		
— bank borrowings	**2,777**	712
— lease liabilities	**644**	—
	3,421	712

7. PROFIT BEFORE TAXATION

	2019	2018
	HK$'000	*HK$'000*
Profit before taxation has been arrived at after charging:		
Directors' emoluments	**26,446**	25,972
Other staff costs		
— Salaries and other benefits	**157,533**	143,598
— Retirement benefit scheme contributions	**2,703**	2,040
Total staff costs	**186,682**	171,610
Amortisation of intangible assets	**12,138**	12,138
Auditor's remuneration	**2,480**	2,380
Loss allowance on financial assets	**—**	258
Cost of inventories recognised as expenses	**47,169**	30,174
Depreciation of property, plant and equipment	**59,386**	58,084
Depreciation of right-of-use assets	**11,093**	—
Research and development expenditure *(note)*	**100,764**	67,388
Write-down of inventories	**5,945**	4,961

Note: Research and development expenditure for the year ended 31 December 2019 of HK$100,764,000 includes staff costs of HK$46,042,000, depreciation of property, plant and equipment of HK$1,174,000, depreciation of right-to-use assets of HK$2,522,000, short-term lease expenses of HK$336,000 and other expenses of HK$50,690,000.

Research and development expenditure for the year ended 31 December 2018 of HK$67,388,000 included staff costs of HK$34,007,000, depreciation of property, plant and equipment of HK$922,000, operating lease expenses of HK$2,349,000 and other expenses of HK$30,110,000.

8. TAXATION CREDIT (CHARGE)

	2019	2018
	HK$'000	*HK$'000*
Macau Complementary Tax		
— current year	**(1,000)**	—
— reversal of tax provision in prior years	**6,000**	—
	5,000	—
Lum Sum Dividend Tax	**(378)**	(378)
PRC Enterprise Income Tax — current year	**(64)**	(25)
Taxation credit (charge)	**4,558**	(403)

There is no provision for Hong Kong Profits Tax is made in the consolidated financial statements as the Group did not generate any assessable profit in Hong Kong for both years.

Macau Complementary Tax ("Macau CT") is calculated at 12% of the estimated assessable profit for the current year.

There is no provision for Macau CT is made in the consolidated financial statements as the Group did not generate any assessable profit for the year ended 31 December 2018.

Pursuant to the Macau CT law, the Macau CT assessment on the estimated assessable profit in a year of assessment will lapse in five consecutive years after that year of assessment. At 31 December 2019, the Directors reassessed the adequacy of the Macau CT provision and determined to reverse part of the Group's relevant Macau CT provision of HK$6,000,000 (2018: nil).

Pursuant to the confirmation letters issued by the Financial Services Bureau of the Macau government dated 15 August 2017, the revenue generated from the service agreement signed between LT (Macau) Limited ("LT Macau"), a wholly-owned subsidiary of the Company incorporated in Macau, and SJM is not subject to Macau CT for the years ended 31 December 2017 to 2019 and the three months ending 31 March 2020, since it is derived from SJM's gaming revenue, for which gaming revenue is exempted from Macau CT pursuant to the terms of no. 2 of article 28 of the Law 16/2001 and the exemption granted by Despatch no. 378/2011 of 23 November 2011.

Pursuant to the approval letter issued by the Financial Services Bureau of the Macau government dated 15 August 2017, LT Macau is obligated to pay an annual lump sum dividend withholding tax of MOP389,000 (equivalent to HK$378,000) for each of the years ended 31 December 2017 to 2019 and MOP97,000 (equivalent to HK$94,000) for the three months ending 31 March 2020 as payment in lieu of Macau CT otherwise due by the shareholders of LT Macau on dividend distributions from gaming profits generated in relation to the operation of the casinos at Casino Kam Pek Paradise and Casino Lisboa. These annual lump sum tax payments are required regardless of whether dividends were actually distributed or whether LT Macau had distributable profits in the relevant years. For the year ended 31 December 2019, provision for taxation of HK$378,000 (2018: HK$378,000) has been recognised which was charged to the consolidated statement of profit or loss.

PRC Enterprise Income Tax for operating subsidiaries established in the PRC is calculated at the PRC Enterprise Income Tax rate of 25% prevailing in the PRC on the assessable profit for the current year. Taxation for overseas subsidiaries, except for those incorporated in Macau and the PRC, are charged at the appropriate current rate of taxation ruling in the relevant countries.

9. DIVIDEND

	2019	2018
	HK$'000	*HK$'000*
Dividend for ordinary shareholders of the Group recognised as distribution during the year:		
Final dividend per Share paid — HK2.5 cents for 2018 (final divided for 2017: nil)	**26,305**	—

During the year end 31 December 2019, a final dividend in respect of the year ended 31 December 2018 of HK2.5 cents per Share in an aggregate amount of HK$26,305,000 has been proposed and paid. There is no dividend proposed by the Directors subsequent to the end of the reporting period.

10. EARNINGS PER SHARE

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

	2019	2018
	HK$'000	*HK$'000*
Earnings		
Profit for the year attributable to owners of the Company for the purpose of calculating basic earnings per Share	**926**	58,224

	2019	2018
	'000	*'000*
Number of Shares		
Weighted average number of Shares for the purpose of calculating basic earnings per Share	**1,052,185**	1,052,185

For the years ended 31 December 2019 and 31 December 2018, no diluted earnings per Share were presented as there were no dilutive potential ordinary shares.

11. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings *HK$'000*	Leasehold improvements *HK$'000*	Plant and machinery *HK$'000*	Furniture, fixtures and equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
COST						
At 1 January 2018	—	204,035	278,309	42,747	10,462	535,553
Currency realignment	—	(41)	—	(173)	—	(214)
Additions	134,003	10,741	21,909	2,710	1,642	171,005
Disposals	—	(16,434)	(4,700)	(14)	—	(21,148)
At 31 December 2018	134,003	198,301	295,518	45,270	12,104	685,196
Currency realignment	—	(30)	(7)	(70)	(1)	(108)
Additions	94,549	5,395	9,603	3,330	1,314	114,191
Transfer from inventories	—	—	9,030	—	—	9,030
Transfer to inventories	—	—	(2,773)	—	—	(2,773)
Disposals	—	—	—	(354)	—	(354)
At 31 December 2019	**228,552**	**203,666**	**311,371**	**48,176**	**13,417**	**805,182**
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
At 1 January 2018	—	156,363	208,076	32,351	3,843	400,633
Currency realignment	—	(33)	—	(107)	—	(140)
Provided for the year	1,072	19,470	31,241	4,399	1,902	58,084
Eliminated on disposal	—	(16,434)	(3,873)	(12)	—	(20,319)
At 31 December 2018	1,072	159,366	235,444	36,631	5,745	438,258
Currency realignment	—	(12)	(1)	(37)	(1)	(51)
Provided for the year	5,327	21,248	26,818	4,083	1,910	59,386
Eliminated on transfer to inventories	—	—	(2,614)	—	—	(2,614)
Eliminated on disposal	—	—	—	(190)	—	(190)
At 31 December 2019	**6,399**	**180,602**	**259,647**	**40,487**	**7,654**	**494,789**
CARRYING AMOUNTS						
At 31 December 2019	**222,153**	**23,064**	**51,724**	**7,689**	**5,763**	**310,393**
At 31 December 2018	132,931	38,935	60,074	8,639	6,359	246,938

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

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

12. TRADE AND OTHER RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Trade receivables *(note i)*	**57,608**	72,738
Less: loss allowance	**—**	(287)
	57,608	72,451
Chips on hand *(note ii)*	**33,244**	29,354
Deposits paid	**44,333**	45,176
Loan receivable *(note iii)*	**14,040**	15,600
Other receivables and prepayments *(note iii)*	**14,635**	13,618
	163,860	176,199

Notes:

(i) As at 31 December 2019, trade receivables comprise amounts receivable from the gaming operators for the Group's provision of casino management services and customers for the Group's sale and leasing of electronic gaming equipment and systems. No interest is charged on the trade receivables.

As at 31 December 2019, trade receivables (net of loss allowance) of HK$57,608,000 (31 December 2018: HK$72,451,000) comprised receivables from contracts with customers and lease receivables of HK$57,155,000 (31 December 2018: HK$72,120,000) and HK$453,000 (31 December 2018: HK$331,000), respectively.

Before accepting any new customer, the Group gathers and assesses the credit information of the potential customer in considering the customer's quality and determining the credit limits for that customer. Recoverability and credit limits of the existing customers are reviewed by the Group regularly. At the end of the reporting period, included in the Group's trade receivable balances are receivables with aggregate carrying amount of HK$55,913,000 (2018: HK$69,739,000), which are neither past due nor impaired. The Directors considered that trade receivables which are neither past due nor impaired are of good credit quality given the continuous subsequent settlements from gaming operators and other customers.

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

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

	2019	2018
	HK$'000	*HK$'000*
Age:		
0–30 days	**55,913**	69,812
31–60 days	**233**	524
61–90 days	**915**	126
91–180 days	**532**	159
181–365 days	**15**	1,830
	57,608	72,451

At 1 January 2018 and 31 December 2018, the loss allowance represented individually impaired trade receivables with gross aggregate balance of HK$287,000.

(ii) Chips on hand represent chips issued by gaming operators in Macau which can be exchanged into their cash amounts.

(iii) Pursuant to a loan agreement dated 5 October 2016, LT View Limited, a wholly-owned subsidiary of the Company incorporated in the British Virgin Islands, agreed to grant a loan to LT Game Japan Limited ("LT Japan"), a company which is incorporated in Japan and is principally engaged in the development and manufacture of gaming products, in the principal amount of US$2,000,000 (equivalent to HK$15,600,000) with interest charged at the rate of 8% per annum. The loan of HK$14,040,000 (2018: HK$15,600,000) is unsecured and guaranteed by Mr. Pak Suil, who holds an 18% shareholding in, and is a director of, LT Game Limited, an indirect subsidiary of the Company incorporated in the British Virgin Islands. Pursuant to the loan agreement and the subsequent amendments to the loan agreement (collectively referred to as the "Loan Agreements"), the maturity date of the loan principal and accrued interest thereon is 5 October 2020. At 31 December 2019, an amount of HK$402,000 (2018: HK$2,797,000) was included in other receivables and prepayments in respect of the interest receivable pursuant to the Loan Agreements.

13. TRADE AND OTHER PAYABLES

	2019	2018
	HK$'000	*HK$'000*
Trade payables	**17,564**	21,426
Accrued staff costs	**52,934**	29,213
Accrued promotional expenses	**25,967**	32,802
Contract liabilities	**9,846**	44,878
Deposits received	**1,335**	1,086
Other sundry payables	**12,612**	15,552
Other accrued expenses	**6,900**	6,535
	127,158	151,492

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

	2019 *HK$'000*	2018 *HK$'000*
Age:		
0–30 days	**14,339**	14,672
31–60 days	**1,717**	5,665
61–90 days	**459**	250
91–365 days	**612**	839
Over 365 days	**437**	—
	17,564	21,426

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

14. BANK BORROWINGS

	2019 *HK$'000*	2018 *HK$'000*
Bank borrowings	**145,831**	89,046

The bank borrowings are repayable as follows*:

Within one year	**8,776**	5,048
Within a period of more than one year but not exceeding two years	**8,992**	5,176
Within a period of more than two years but not exceeding five years	**28,323**	16,335
Within a period of more than five years	**99,740**	62,487
	145,831	89,046
Less: Amounts due within one year shown under current liabilities	**(8,776)**	(5,048)
Amounts due after one year shown under non-current liabilities	**137,055**	83,998

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

At 31 December 2019, the bank borrowings carried interest at the Lending Prime Rate as quoted by the lending bank from time to time minus 2.85% (2018: 2.85%) per annum. The effective interest rate of the bank borrowings was 2.40% (2018: 2.53%) per annum.

At 31 December 2019, the bank borrowings of HK$145,831,000 (2018: HK$89,046,000) were secured by mortgages over the Group's leasehold land and buildings with an aggregate carrying amount of HK$222,153,000 (2018: HK$132,931,000). The bank borrowings are denominated in MOP and HK$.

15. SHARE CAPITAL

	Number of Shares	Share capital
	'000	*HK$'000*
Ordinary shares of HK$0.001 each		
Authorised:		
At 1 January 2018, 31 December 2018 and 31 December 2019	**1,000,000,000**	**1,000,000**
Issued and fully paid:		
At 1 January 2018, 31 December 2018 and 31 December 2019	**1,052,185**	**1,052**

16. CAPITAL COMMITMENTS

	2019	2018
	HK$'000	*HK$'000*
Capital expenditure in respect of property, plant and equipment contracted for but not provided in the consolidated financial statements	**1,059**	1,062

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Financial Review

Overview of Results

Total reported revenue of the Group for the year ended 31 December 2019 was HK$1,181.8 million, representing an increase of 1.5% over that of HK$1,164.2 million for the year ended 31 December 2018. The increase was mainly attributable to an increase in revenue from sale of electronic gaming equipment and systems. An analysis of the reported revenue by properties/nature is as follows:

	2019	2018
	HK$ million	*HK$ million*
Casinos under the Group's management:		
Casino Kam Pek Paradise	**692.7**	780.2
Casino Waldo	**311.5**	286.7
	1,004.2	1,066.9
Electronic gaming equipment and systems:		
Sale of electronic gaming equipment and systems	**169.9**	88.7
Leasing of electronic gaming equipment and systems*	**5.2**	5.9
Royalty income from IGT	**2.5**	2.7
	177.6	97.3
Total reported revenue	**1,181.8**	1,164.2

*: *Leasing revenue for the year ended 31 December 2019 did not include the intercompany revenue derived from the LMG terminals deployed at the two casinos under the Group's management amounting to HK$149.0 million (2018: HK$154.8 million) which was included in the reported revenue of respective casinos under the Group's management in the above table.*

Adjusted EBITDA for the year ended 31 December 2019 was HK$87.0 million, representing a decrease of 27.9% over that of HK$120.7 million for the year ended 31 December 2018. The following table reconciles profit for the year to Adjusted EBITDA:

	2019	2018
	HK$ million	*HK$ million*
Profit for the year	**10.6**	53.2
Adjustments for:		
Interest income	**(5.1)**	(4.4)
Finance costs	**3.4**	0.7
Taxation (credit) charge	**(4.5)**	0.4
Depreciation of property, plant and equipment	**59.4**	58.1
Loss on disposal of property, plant and equipment	**—**	0.6
Depreciation of right-of-use assets	**11.1**	—
Amortisation of intangible assets	**12.1**	12.1
Adjusted EBITDA	**87.0**	120.7

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

	2019	2018
	HK$ million	*HK$ million*
Casinos under the Group's management:		
Casino Kam Pek Paradise	**141.5**	221.8
Casino Waldo	**(27.5)**	(24.2)
	114.0	197.6
Electronic gaming equipment and systems:		
Sale of electronic gaming equipment and systems	**88.1**	10.5
Leasing of electronic gaming equipment and systems	**3.3**	2.8
Research and development and other costs	**(88.5)**	(66.6)
ETG distribution from IGT	**2.5**	2.6
	5.4	(50.7)
Others	**(32.4)**	(26.2)
Adjusted EBITDA	**87.0**	120.7

Adjusted EBITDA from casinos under the Group's management for the year ended 31 December 2019 was HK$114.0 million, representing a decrease of 42.3% over that of HK$197.6 million for the year ended 31 December 2018. The decrease was mainly due to the decrease in GGR generated by Casino Kam Pek Paradise for the year ended 31 December 2019 which in turn was mainly affected by the temporary suspension of LMG terminals at the casino for upgrade of the LMG terminals pursuant to the Technical Standards during the year ended 31 December 2019, and the accrual for the Group's reimbursement to SJM of employees' bonus under the relevant bonus scheme of SJM for those gaming operation employees employed by SJM who work for the casino under the Group's management amounting to HK$23.2 million. As at 31 December 2019, the Group had completed the upgrade of all the LMG terminals at the two casinos under the Group's management for full compliance with the Technical Standards and installation of enhanced features to the LMG terminals.

Adjusted EBITDA from the electronic gaming equipment and systems segment for the year ended 31 December 2019 was HK$5.4 million, as compared to the loss of HK$50.7 million for the year ended 31 December 2018. For the year ended 31 December 2019, sale of electronic gaming equipment and systems contributed Adjusted EBITDA of HK$88.1 million (2018: HK$10.5 million) to the Group. On the other hand, the Group increased its investment in research and development and other costs on ETG machines, slot machines, casino management systems, etc. from HK$66.6 million for the year ended 31 December 2018 to HK$88.5 million for the year ended 31 December 2019 mainly for the development of our game assets/library which are important for us to improve and maintain our competitive advantages in the long run. For the year ended 31 December 2019, ETG distribution from IGT contributed Adjusted EBITDA of HK$2.5 million (2018: HK$2.6 million) to the Group.

The Group's recorded a profit of HK$10.6 million for the year ended 31 December 2019 representing a decrease of 80.1% over that of HK$53.2 million for the year ended 31 December 2018.

Provision of Casino Management Services

The following table sets forth operational data on the provision of casino management services by the Group for the years ended 31 December 2019 and 31 December 2018:

	2019			2018		
(Average no. of units)	**Casino Kam Pek Paradise**	**Casino Waldo**	**Total**	Casino Kam Pek Paradise	Casino Waldo	Total
Traditional gaming tables	**39**	**25**	**64**	39	25	64
LMG gaming tables	**10**	**5**	**15**	10	5	15
LMG terminals	**996**	**432**	**1,428**	1,000	423	1,423
Slot machines	**189**	**167**	**356**	194	176	370

As at 31 December 2019, the Group had a total of 79 (31 December 2018: 79) gaming tables under management.

The following table sets out certain key operational data of gaming tables, LMG terminals and slot machines deployed at the two casinos under the Group's management for the years ended 31 December 2019 and 31 December 2018:

		Casino Kam Pek Paradise		Casino Waldo	
		2019	2018	**2019**	2018
Traditional gaming tables					
GGR	*(HK$ million)*	**684.9**	792.5	**396.2**	365.6
Gaming tables	*(Average no. of tables)*	**39**	39	**25**	25
Net win/table/day	*(HK$ thousand)*	**48.1**	55.7	**43.4**	40.1
LMG gaming tables					
GGR	*(HK$ million)*	**534.7**	573.1	**142.6**	130.3
Terminals	*(Average no. of terminals/tables)*	**996/10**	1,000/10	**432/5**	423/5
Net win/terminal/day	*(HK$)*	**1,471**	1,570	**904**	844
Net win/LMG gaming table/day	*(HK$ thousand)*	**146.5**	157.0	**78.1**	71.4
Total gaming tables					
GGR	*(HK$ million)*	**1,219.6**	1,365.6	**538.8**	495.9
Gaming tables	*(Average no. of tables)*	**49**	49	**30**	30
Net win/table/day	*(HK$ thousand)*	**68.2**	76.4	**49.2**	45.3
Slot machines					
GGR	*(HK$ million)*	**50.6**	65.7	**8.3**	8.1
Slot machines	*(Average no. of units)*	**189**	194	**167**	176
Net win/unit/day	*(HK$)*	**733**	928	**136**	126
Total GGR	*(HK$ million)*	**1,270.2**	1,431.3	**547.1**	504.0

For the year ended 31 December 2019, total GGR generated by Casino Kam Pek Paradise amounted to HK$1,270.2 million, representing a decrease of 11.3% over that of HK$1,431.3 million for the year ended 31 December 2018. Total GGR generated by Casino Waldo for the year ended 31 December 2019 amounted to HK$547.1 million, representing an increase of 8.6% over that of HK$504.0 million for the year ended 31 December 2018.

Breakdown of the revenue attributable to the Group for the two casinos under the Group's management for the years ended 31 December 2019 and 31 December 2018 is as follows:

	2019	2018
	HK$ million	*HK$ million*
Casino Kam Pek Paradise:		
Traditional gaming tables	**376.7**	435.9
LMG gaming tables	**294.1**	315.2
Slot machines	**21.9**	29.1
	692.7	780.2
Casino Waldo:		
Traditional gaming tables	**225.6**	208.0
LMG gaming tables	**81.2**	74.1
Slot machines	**4.7**	4.6
	311.5	286.7
	1,004.2	1,066.9

Total revenue attributable to the Group generated by the casinos under the Group's management for the year ended 31 December 2019 was HK$1,004.2 million, representing a decrease of 5.9% over that of HK$1,066.9 million for the year ended 31 December 2018. The net decrease in total revenue was due to the decrease of 11.2% in revenue from Casino Kam Pek Paradise which was partially offset by the increase of 8.7% in revenue from Casino Waldo for the year ended 31 December 2019 when compared to those for the year ended 31 December 2018.

Development, Sale and Leasing of Electronic Gaming Equipment and Systems

Sale of Electronic Gaming Equipment and Systems

For the year ended 31 December 2019, revenue from sale of electronic gaming equipment and systems amounted to HK$169.9 million, representing an increase of 91.5% over that of HK$88.7 million for the year ended 31 December 2018. The sale for the year ended 31 December 2019 represented mainly the sale of a total of 799 LMG terminals to and the provision of upgrading services to 1,051 LMG terminals at various casinos in Macau pursuant to the Technical Standards (2018: sale of 383 LMG terminals and other equipment to MGM Cotai, The Venetian Macao and City of Dreams).

Leasing of Electronic Gaming Equipment and Systems

For the year ended 31 December 2019, revenue from leasing of electronic gaming equipment and systems amounted to HK$5.2 million, representing a decrease of 11.9% over that of HK$5.9 million for the year ended 31 December 2018.

The following table sets out certain key operational data of LMG terminals (excluding those LMG terminals deployed at the two casinos under the Group's management) and the related revenue shared by the Group for the years ended 31 December 2019 and 31 December 2018:

		2019	2018
GGR from LMG terminals	*(HK$ million)*	**14.2**	21.2
No. of LMG terminals	*(Average no. of terminals)*	**53**	207
Net win/terminal/day	*(HK$)*	**734**	281
Revenue sharing	*(HK$ million)*	**3.9**	5.3

ETG Distribution from IGT

In April 2016, the Group entered into a strategic agreement with IGT and assigned and licensed certain patents and associated technology to IGT in return for a non-refundable upfront payment of US$12.95 million (approximately HK$101.0 million) and a 15-year earn-out payment for every 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$2.5 million for the year ended 31 December 2019 (2018: HK$2.7 million). Up to 31 December 2019, the Group has accumulatively recognised a total revenue of HK$8.1 million from ETG distribution from IGT.

PROSPECTS

Overall, Macau experienced another solid year in 2019. Although Macau's total GGR dropped by 3.4% year-on-year to HK$292.5 billion, total visitations to Macau were 39.4 million, up 10.1% year-on-year (including the growth of same-day visitors by 20.0% year-on-year which was far outpacing the growth of overnight visitors). More importantly, Macau's mass segment has steadily increased and has accounted for 53.8% of Macau's total GGR in 2019. Having more inbound tourists to Macau means that there are more mass gaming patrons, which should benefit the mass gaming segment of which the Group is focusing on. The opening of the Hong Kong-Macao-Zhuhai bridge has further lowered the transportation costs of the visitors while giving more convenience bringing more visitors to Macau, which certainly is favourable for the mass gaming market.

Due to the increase of labour and other operating costs, the costs of running traditional table games for casino operators in Macau and in other gaming jurisdictions are always on the upside trend. ETG machines and slot machines should be the most important keys for maintaining steady gaming revenue while keeping the operating costs low. The Group holds the belief that the development of table game automation and innovative technologies can continue to improve game efficiency and optimise operations, and the Group is dedicated to innovate in the gaming equipment industry using top-notch and innovative technology to create good gaming products that are primarily catered for mass market. The Group shall continue to focus on optimising table productivity in the casino under our management by applying cutting-edge gaming technology that has enabled our GGR per table per day in the mass segment to rival the tables in other casinos in Macau. The Group will follow our unique business model to embrace more synergies of our two business segments and complement to the development of our high-tech products.

In 2019, the Group was proud to report that its first ever-self developed slot machines were approved by DICJ. This marked our milestone to diversify our business to slot machine segment ever since we developed the flagship product, the LMG machines, in Macau. We have also started to debut our self-developed slot machines to Americas and South East Asian markets in various casinos or gaming establishments to emerge as one of the future leaders in gaming equipment.

In recent years, the Group has also increased its investment on research and development for the attainments of innovation and breakthrough in design and applications of 5G, AI and other high-tech products such as smart wear, smart home and wireless terminal products with a view to providing customers' needs with professional solutions on high-tech products in areas of education, sports and living, etc. Global market of smart wear and smart home has been growing and is anticipated to keep flourishing at a robust pace. These high-tech products will generate fresh revenue streams for the Group in the years ahead and we believe that high-tech and gaming industry will merge more closely in future.

Considering the recent requirement to invest further for additional monitoring system and equipment to Casino Waldo to comply with new regulatory requirements which we considered that might be not recovered before end of the existing gaming concession, the relative high operating costs of the casino, and also the adverse impact from the recent outbreak of a respiratory illness, following the expiration of the related service contract on 29 February 2020, the Group decided to cease providing casino management services in Casino Waldo since 1 March 2020 and did not request for renewal or extension of the service contract. The Group shall then concentrate its focus on the operations of Casino Kam Pak Paradise so as to maximise the return from the provision of casino management service in this casino to the Group.

In response to the recent outbreak of a respiratory illness caused by a novel coronavirus affecting public health, the Macau government has taken various protective measures, including the requirement to all casinos in Macau to suspend operations for at least 15 days from 5 February 2020, to curb the spread of the coronavirus disease in Macau. Additionally, new border control related policies and measures were implemented in Macau including the Mainland government's decision on the temporary suspension of the Individual Visit Scheme to Hong Kong and Macau, the suspension or reduction of major ferry services between Macau and Hong Kong, more stringent quarantine measures including prohibiting all non-Macau residents from entering into Macau subject to certain exceptions. The Group considers such coronavirus disease will inevitably have adverse effect on the Group's operation, particularly the casinos under the Group's management. The Group is very cautious about this global health emergency and is committed to take all possible protective measures to the well-being and safety of our patron customers as well as our staff, and at the same time, improve businesses and reduce operating costs of the Group during the tough period of time.

Looking ahead, the Group will never rest on its laurels but will continue to acquire top talents and increase its investment in high-tech and avant-garde gaming products, aiming to explore more opportunities in the gaming technology space and expand its market share in global gaming industry. Nevertheless, we are cautious due to a range of geo-political and economic challenges and the virus epidemic which may impact consumer confidence in 2020. We remain confident in the longer-term outlook for Macau in general and believe that the Greater Bay Area integration plan will further facilitate the flow of people, logistics and capital within Macau, Hong Kong and the nine cities of southern Guangdong. We will continue to support and leverage on the Greater Bay Area integration plan. The Group remains cautiously optimistic and will strive to identify new business opportunities in Macau and overseas markets and maximise returns to the Shareholders.

DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 December 2019.

For the year ended 31 December 2018, the Board recommended the payment of a final dividend of HK2.5 cents per Share (totaling HK$26,305,000) which was approved by the Shareholders at the annual general meeting of the Company held on 21 May 2019 and was paid to Shareholders in June 2019.

BOOK CLOSURE FOR 2020 AGM

To ascertain Shareholders' eligibility to attend and vote at the 2020 AGM to be held on 21 May 2020, the register of members of the Company will be closed from 18 May 2020 to 21 May 2020, both days inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the 2020 AGM, all transfers of Shares accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar, Tricor Secretaries Limited, of Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 15 May 2020.

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. The Group has generally funded its operations from internal resources, bank and other borrowings and/or equity financing.

The Group has adopted a prudent financial management approach towards its financial and treasury policies. During the year under review, 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 31 December 2019, the consolidated net assets of the Group amounted to HK$608.5 million, representing a decrease of HK$20.2 million or 3.2% from HK$628.7 million as at 31 December 2018. During the year ended 31 December 2019, the consolidated net assets of the Group was increased by the Group's profit for the year of HK$10.6 million and was decreased by the payment of the Company's final dividend for the year ended 31 December 2018 of HK$26.3 million and the payment of interim dividend by a non wholly-owned subsidiary of the Company to non-controlling interests for the six months ended 30 June 2019 of HK$3.6 million.

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

As at 31 December 2019, the Group held pledged bank deposit of HK$28.8 million, bank balances and cash of HK$245.6 million and chips on hand of HK$33.2 million. Included in the pledged bank deposit and bank balances and cash as at 31 December 2019 were fixed deposits of HK$100.7 million placed at banks in Macau with maturities ranging from 1 to 12 months. The fixed deposits were denominated in HK$ (the Group's functional currency) and US$. Given HK$ are linked to US$, the Group considers the exposure to exchange rate risk is normal for its fixed deposits denominated in US$.

Borrowing and Gearing Ratio

As at 31 December 2019, the Group had outstanding (i) secured and unguaranteed bank borrowings of approximately HK$145.8 million (2018: HK$89.0 million); and (ii) unsecured and unguaranteed amounts due to Directors of HK$2.1 million (2018: HK$2.2 million).

The Group's bank borrowings carried interest at prevailing market rates and were on floating rate basis. The bank borrowings were denominated in MOP and HK$. Given MOP is pegged to HK$, the Group considers the exposure to exchange rate risk is normal for its bank borrowing denominated in MOP. The maturity profile of the bank borrowings of HK$145.8 million as at 31 December 2019 spread over a period of more than five years, with HK$8.8 million repayable within one year, HK$9.0 million in the second year, HK$28.3 million in the third to fifth years and HK$99.7 million over five years. The amounts due to Directors were interest-free and repayable on demand.

The Group's gearing ratio (expressed as a percentage of total borrowings over net assets) as at 31 December 2019 was 24.3% (2018: 14.5%). The increase in the Group's gearing ratio was mainly due to the inception of bank mortgage borrowing to finance the acquisition of properties during the year ended 31 December 2019.

During the year ended 31 December 2019, the Group did not employ any financial instruments for hedging purposes.

ACQUISITION OF PROPERTIES

The Group, as the purchaser, entered into provisional sale and purchase agreements and related sale and purchase agreements with an independent third party, as the vendor, on 4 June 2019 and 5 June 2019, respectively, pursuant to which the Group agreed to purchase and the vendor agreed to sell certain properties in Macau at a total consideration of HK$90.0 million. The sale and purchase transaction was completed on 8 August 2019.

The acquisition of the properties constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. Further details regarding the acquisition of the properties are set out in the Company's announcements dated 4 June 2019 and 8 August 2019.

CAPITAL COMMITMENTS

Particulars of the Company's significant capital commitments as at 31 December 2019 are set out in note 16 to the consolidated financial statements.

FOREIGN EXCHANGE EXPOSURE

The majority of the Group's income and expenses, bank fixed deposits and bank borrowings are denominated in HK$ (the Group's functional currency), MOP and US$. HK$ is linked to US$ and the exchange rate between these two currencies has remained relatively stable over the past several years. MOP is pegged to HK$, and in many cases the two currencies are used interchangeably in Macau. Due to the stable exchange rates between HK$ and US$ and between HK$ and MOP, the Group does not consider that any specific hedge for currency fluctuation is necessary.

CHARGES ON GROUP ASSETS

As at 31 December 2019, leasehold land and buildings of the Group with the carrying amount of HK$222.2 million were pledged to secure bank borrowings offered by banks to the Group.

In addition, as at 31 December 2019, a fixed deposit of HK$28.8 million placed at a bank was pledged to secure for a guarantee in the amount of HK$28.8 million issued by the bank for the period from 30 April 2018 to 31 March 2020 in favour of SJM for the Group's fulfilment of all its obligations, in particular for reimbursement by the Group to SJM of the employees' compensation and benefits for those gaming operation employees employed by SJM who work for the casino under the Group's management, as stipulated under the service agreement (and all related supplemental agreements) entered into between SJM and the Group for provision of casino management services by the Group to SJM.

CONTINGENT LIABILITIES

As at 31 December 2019, the Group did not have any contingent liabilities.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2019, the Group had approximately 1,210 employees, including approximately 730 gaming operation employees who were employed by SJM or Galaxy to work for the two casinos under the Group's management. These gaming operation employees were paid by SJM or Galaxy and the Group reimbursed SJM or Galaxy in full for their salaries and other benefits. Total staff costs, including Directors' emoluments, for the year ended 31 December 2019 amounted to HK$452.6 million (2018: HK$412.7 million), including a total of HK$265.9 million (2018: HK$241.1 million) paid or payable for gaming operation employees employed by SJM or Galaxy.

The terms of employment of employees conform to normal commercial practice. The remuneration policy for the employees of the Group is principally set up by the Board and the management on the basis of the relevant employees' qualifications, competence, work performance, industry experience, relevant market trend and the Group's operating results etc. Discretionary bonuses are granted to employees based on merit and in accordance with industry practice. Other benefits including share options, share awards, retirement benefits, subsidised medical care, pension funds and training programmes are offered to eligible employees.

EVENTS AFTER THE REPORTING PERIOD

Due to an outbreak of a respiratory illness caused by a novel coronavirus, on 4 February 2020, as part of the measures to curb the spread of the coronavirus disease in Macau, the Macau government announced the suspension of operations of all casinos in Macau for at least 15 days from 5 February 2020. Operations at Casino Kam Pek Paradise were suspended on 5 February 2020 and were resumed on 20 February 2020 while operations at Casino Waldo were suspended on 5 February 2020 and were resumed on 24 February 2020. The duration and intensity of this global health emergency and related disruptions is uncertain, including potential broader impacts outside of China if travel and visitation continues to be restricted and there is a resulting decline in Chinese tourist spending in Macau. Given the dynamic nature of these circumstances, the related impact on the Group's operating segments in Macau and our consolidated results of operations, cash flows and financial condition will be material but cannot be reasonably estimated at this time.

The service contract for the Group's provision of casino management services in Casino Waldo expired on 29 February 2020 ("Date of Expiry"). The Group did not request for renewal or extension of the service contract and accordingly, the Group has ceased to provide casino management services in Casino Waldo since 1 March 2020. Up to the date of approval of the Group's consolidated financial statements for the year ended 31 December 2019, the Group is in the progress of finalisation of the accounts relating to the provision of casino management services in the casino drawn up to the Date of Expiry and also in the progress of negotiation with relevant parties for confirming and agreeing the treatment and related consideration of, and other handover matters for the gaming machines, equipment, systems and other assets which were placed by the Group in the casino. As such, financial impact arising from Group's cessation of provision of casino management services in Casino Waldo on the Group's results, cash flows and financial condition could not be reasonably estimated at this time.

Other than as disclosed above, there is no other event after the reporting period which is required to be disclosed.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

In the opinion of the Board, the Company has complied with the code provisions of the CG Code set out in Appendix 14 to the Listing Rules throughout the year ended 31 December 2019 except for certain deviations disclosed below:

Code Provision A.2.1

Mr. Jay Chun is the Chairman and the Managing Director of the Company. In the opinion of the Board, the roles of the Managing Director and the chief executive officer are the same. Although under code provision A.2.1 of the CG Code, the roles of the Chairman and chief executive officer should be separate and should not be performed by the same individual, the Board considers that the present structure provides the Group with strong and consistent leadership and allows for efficient and effective business planning and execution. Hence, the Board believes that it is in the best interest of the Shareholders that Mr. Jay Chun will continue to assume the roles of the Chairman of the Board and the Managing Director of the Company. However, the Company will review the current structure as and when it becomes appropriate in future.

Code Provision A.4.1

In accordance with code provision A.4.1 of the CG Code, non-executive directors should be appointed for a specific term, subject to re-election. Currently, none of the Directors (including the independent non-executive Directors) is appointed for a specific term. However, all Directors (including the independent non-executive Directors) are subject to retirement by rotation at least once every three years at the annual general meeting of the Company in accordance with the provision of the Bye-laws of the Company, and their terms of appointment will be reviewed when they are due for re-election.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code as the code of conduct regarding Directors' securities transactions. Having made specific enquiry of all Directors, all Directors have confirmed that they had complied with the requirements set out in the Model Code during the year ended 31 December 2019.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2019.

INDEPENDENT AUDITOR

By a resolution passed at a general meeting of the Company held on 25 May 2017, Deloitte Touche Tohmatsu has been appointed as the independent auditor of the Company to fill the vacancy arising from the retirement of PAN-CHINA (H.K.) CPA Limited. Save as disclosed, there were no other changes in the Company's independent auditor for the preceding three years.

The consolidated financial statements of the Company for the year ended 31 December 2019 were audited by Deloitte Touche Tohmatsu. A resolution will be proposed at the 2020 AGM to re-appoint Deloitte Touche Tohmatsu as the independent auditor of the Company.

REVIEW OF AUDITED CONSOLIDATED FINANCIAL STATEMENTS BY THE AUDIT COMMITTEE

The Audit Committee has reviewed with the management and the independent auditor of the Company the audited consolidated financial statements for the year ended 31 December 2019 and the related accounting principles and practices adopted by the Group.

PRELIMINARY ANNOUNCEMENT OF THE GROUP'S RESULTS

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2019 as set out in this preliminary announcement have been agreed by the Company's auditor, Deloitte Touche Tohmatsu (the "Auditor"), to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by the Auditor in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by the Auditor on this preliminary announcement.

DEFINITIONS

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

"2020 AGM"	the forthcoming annual general meeting of the Company to be held on 21 May 2020
"Adjusted EBITDA"	the Group's profit or loss for the year before interest income, finance costs, taxation credit or charge, depreciation of property, plant and equipment, depreciation of right-of-use assets, amortisation of intangible assets, gain or loss on disposal of property, plant and equipment, and costs incurred or associated with corporate exercises or potential projects, where applicable
"Audit Committee"	the audit committee of the Company

“Board”	the board of Directors
“CG Code”	the Corporate Governance Code contained in Appendix 14 to the Listing Rules
“Company”	Paradise Entertainment Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange
“DETG”	Dealer-operated Electronic Table Game
“DICJ”	Direcção de Inspecção e Coordenação de Jogos, the Gaming Inspection and Coordination Bureau in Macau
“Director(s)”	the director(s) of the Company
“ETG”	electronic table game
“Galaxy”	Galaxy Casino, S.A., one of the three concessionaires for operation of casinos in Macau
“GGR”	gross gaming revenue, being total net win generated by all casino gaming activities combined, calculated before deduction of commissions and other expenses, if any
“Group”	the Company and its subsidiaries
“HKAS”	Hong Kong Accounting Standard
“HKFRS(s)	Hong Kong Financial Reporting Standard(s)
“HKICPA”	Hong Kong Institute of Certified Public Accountants
“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”	the Macao Special Administrative Region of the PRC

"Model Code"	the Model Code for Securities Transaction by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
"MOP"	Macau Pataca, the lawful currency of Macau
"PRC"	the People's Republic of China
"Share(s)"	ordinary share(s) of HK$0.001 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Shares
"SJM"	Sociedade de Jogos de Macau, S.A., one of the three concessionaires for operation of casinos in Macau
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Technical Standards"	DETG Technical Standards Version 1.0 published by the DICJ
"U.S."	the United States of America
"US$"	the United States dollars, the lawful currency of the U.S.
"%"	per cent

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

Hong Kong, 26 March 2020

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