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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 2020

RESULTS

The Board announces the audited consolidated annual results of the Group for the year ended 31 December 2020 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2020

	Notes	2020 HK\$'000	2019 HK\$'000
Revenue	4	351,739	1,181,754
Cost of sales and services		<u>(337,153)</u>	<u>(675,243)</u>
Gross profit		14,586	506,511
Other income, gains and losses		58,743	18,886
Marketing, selling and distribution costs		(60,733)	(229,919)
Operating and administrative expenses		(181,861)	(271,768)
Amortisation of intangible assets		(12,138)	(12,138)
Finance costs	6	(3,958)	(3,421)
Share of losses of joint ventures		<u>(4,348)</u>	<u>(2,149)</u>
(Loss) profit before taxation	7	(189,709)	6,002
Taxation (charge) credit	8	<u>(2,402)</u>	<u>4,558</u>
(Loss) profit for the year		<u><u>(192,111)</u></u>	<u><u>10,560</u></u>
(Loss) profit for the year attributable to:			
— Owners of the Company		(189,152)	926
— Non-controlling interests		<u>(2,959)</u>	<u>9,634</u>
		<u><u>(192,111)</u></u>	<u><u>10,560</u></u>
Basic (loss) earnings per Share	10	<u><u>HK(18.0) cents</u></u>	<u><u>HK0.1 cent</u></u>

* For identification purposes only

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
(Loss) profit for the year	<u>(192,111)</u>	<u>10,560</u>
Other comprehensive expense:		
<i>Item that will not be reclassified to profit or loss:</i>		
Fair value loss on investment in equity instruments designated at fair value through other comprehensive income	(144)	(62)
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of foreign operations	<u>(3,060)</u>	<u>(852)</u>
Other comprehensive expense for the year	<u>(3,204)</u>	<u>(914)</u>
Total comprehensive (expense) income for the year	<u><u>(195,315)</u></u>	<u><u>9,646</u></u>
Total comprehensive (expense) income for the year attributable to:		
— Owners of the Company	(192,023)	5
— Non-controlling interests	<u>(3,292)</u>	<u>9,641</u>
	<u><u>(195,315)</u></u>	<u><u>9,646</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		276,806	310,393
Right-of-use assets		16,419	18,093
Intangible assets		56,643	68,781
Interests in joint ventures/amounts due from joint ventures		7,992	3,540
Investment in equity instruments designated at fair value through other comprehensive income		—	1,366
Other assets		4,996	5,906
Pledged bank deposits		<u>30,341</u>	<u>—</u>
		<u>393,197</u>	<u>408,079</u>
Current assets			
Inventories		49,856	61,545
Trade and other receivables	11	88,073	163,860
Amounts due from joint ventures		—	195
Amount due from related companies		80	1,140
Pledged bank deposit		—	28,800
Bank balances and cash		<u>129,244</u>	<u>245,612</u>
		<u>267,253</u>	<u>501,152</u>
Current liabilities			
Trade and other payables	12	66,406	117,312
Amounts due to Directors		1,600	2,109
Amounts due to joint ventures		178	184
Taxation payable		8,830	6,912
Bank borrowings — due within one year		8,993	8,776
Lease liabilities		11,897	10,659
Contract liabilities		<u>23,534</u>	<u>9,846</u>
		<u>121,438</u>	<u>155,798</u>
Net current assets		<u>145,815</u>	<u>345,354</u>
Total assets less current liabilities		<u>539,012</u>	<u>753,433</u>
Non-current liabilities			
Bank borrowings — due after one year		128,023	137,055
Lease liabilities		<u>4,930</u>	<u>7,894</u>
		<u>132,953</u>	<u>144,949</u>
Net assets		<u>406,059</u>	<u>608,484</u>
Capital and reserves			
Share capital		1,052	1,052
Reserves		<u>363,540</u>	<u>555,563</u>
Equity attributable to owners of the Company		364,592	556,615
Non-controlling interests		<u>41,467</u>	<u>51,869</u>
		<u>406,059</u>	<u>608,484</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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.

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

The outbreak of a respiratory illness caused by a novel coronavirus ("Covid-19") since early 2020 and the subsequent quarantine measures as well as travel restrictions imposed by jurisdictions including Macau and Hong Kong have had negative impacts to the business environment and significantly impacted the operations of the Group.

During the year ended 31 December 2020, the Macau government announced the mandatory suspension of operations of all casinos in Macau for at least 15 days from 5 February 2020 in an effort to contain the spread of the pandemic. Operations at Casino Kam Pek Paradise were suspended on 5 February 2020 and resumed on 20 February 2020, while operations at Casino Waldo were suspended on 5 February 2020 and resumed on 24 February 2020.

The Group continued to provide casino management services in Casino Waldo until the related service contract expired on 29 February 2020. The Group did not request for renewal or extension of the service contract and ceased providing casino management services in Casino Waldo from 1 March 2020. Accordingly, the Group has recognised a loss on disposal/write-off of property, plant and equipment of HK\$9,663,000 and impairment loss in respect of property, plant and equipment of HK\$5,000,000 to reduce to their recoverable amounts during the current year.

In dealing with the outbreak of Covid-19, the Group explored other businesses by making use of its extensive network in the PRC to provide procurement services on behalf of overseas customers. The income generated from the procurement services of HK\$53,883,000, included in other income, gains and losses, has made positive contribution to the Group's results for the current year.

As such, the financial position and performance of the Group were significantly impacted from reduction in revenue and recognition of losses from the casino management services segment and gaming systems segment set off by recognition of procurement service income for the year ended 31 December 2020.

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. 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.

Going concern assessment

The Directors have, at the time of approving the 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 consolidated financial statements.

The consolidated financial statements have been prepared on a going concern basis. As at 31 December 2020, the Group had cash and cash equivalents of HK\$129,244,000 and net current assets of HK\$145,815,000. The Group has prepared a cash flow forecast which involves judgments and estimations based upon management's input of key variables and market conditions including the future economic conditions, increased competition in Macau, the regulatory environment and the growth rates of the Macau gaming market.

The cash flow forecast has been determined using estimations of future cash flows based upon projected income and expenses of the business and working capital needs for a period of not less than twelve months from 31 December 2020. The Group believes it has sufficient liquidity based upon cash on hand and the expected cash to be generated from operations to meet its financial obligations as they fall due for the following twelve months from 31 December 2020.

3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

In addition, the Group has early applied the Amendment to HKFRS 16 "Covid-19-Related Rent Concessions".

Except as described below, the application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs 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.

Impacts on early application of Amendment to HKFRS 16 Covid-19-Related Rent Concessions

The Group has applied the amendment for the first time in the current year. The amendment introduces a new practical expedient for lessees to elect not to assess whether a Covid-19-related rent concession is a lease modification. The practical expedient only applies to rent concessions occurring as a direct consequence of the Covid-19 that meets all of the following conditions:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 Leases if the changes were not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

The application of the amendment had no impact on the opening accumulated losses at 1 January 2020. The Group has benefited from concession of lease payments on several leases for office premises, a warehouse and staff quarters. The Group has derecognised the part of the lease liabilities that has been extinguished by the forgiveness of lease payments using the discount rates originally applied to these leases, respectively, resulting in a decrease in the lease liabilities of HK\$659,000, which has been recognised as variable lease payments in profit or loss for the current year.

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 and the related Amendments ¹
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2 ⁴
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	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ¹
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020 ²

¹ Effective for annual periods beginning on or after 1 January 2023.

² Effective for annual periods beginning on or after 1 January 2022.

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 2021.

The Directors anticipate that the application of the new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

4. REVENUE

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Casino management services:		
Provision of casino management services, recognised over time	<u>326,396</u>	<u>1,004,223</u>
Electronic gaming equipment and systems:		
Sale of electronic gaming equipment and systems, recognised at a point in time	20,923	169,832
Leasing of electronic gaming equipment and systems — variable operating lease payments	3,091	5,164
Royalty income, recognised over time	<u>1,329</u>	<u>2,535</u>
	<u>25,343</u>	<u>177,531</u>
Total	<u><u>351,739</u></u>	<u><u>1,181,754</u></u>
Analysis of revenue:		
Recognised over time	327,725	1,006,758
Recognised at a point in time	<u>20,923</u>	<u>169,832</u>
Revenue recognition for revenue from contracts with customers	348,648	1,176,590
Leasing income — variable operating lease payments	<u>3,091</u>	<u>5,164</u>
Total	<u><u>351,739</u></u>	<u><u>1,181,754</u></u>

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 and royalty income

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 from/earned by each segment without allocation of corporate income and expenses, finance costs, share of losses of joint ventures 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 2020

	Casino management services HK\$'000	Gaming systems HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Segment revenue	<u>326,396</u>	<u>25,343</u>		<u>351,739</u>
Segment results	<u>(126,724)</u>	<u>(84,633)</u>		(211,357)
Unallocated corporate income				60,848
Unallocated corporate expenses				(30,894)
Finance costs				(3,958)
Share of losses of joint ventures				<u>(4,348)</u>
Loss before taxation				(189,709)
Taxation charge				<u>(2,402)</u>
Loss for the year				<u>(192,111)</u>
Other information				
Capital expenditure	11,136	14,818	257	26,211
Amortisation of intangible assets	12,138	—	—	12,138
Depreciation of property, plant and equipment	35,701	9,734	899	46,334
Depreciation of right-of-use assets	4,683	3,992	4,595	13,270
Loss (gain) on disposal/write-off of property, plant and equipment	9,609	56	(2)	9,663
Impairment loss in respect of property, plant and equipment	5,000	—	—	5,000
Write-down of inventories	<u>—</u>	<u>6,703</u>	<u>—</u>	<u>6,703</u>

For the year ended 31 December 2019

	Casino management services <i>HK\$'000</i>	Gaming systems <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment revenue	<u>1,004,223</u>	<u>177,531</u>		<u>1,181,754</u>
Segment results	<u>53,297</u>	<u>(6,036)</u>		47,261
Unallocated corporate income				19
Unallocated corporate expenses				(35,708)
Finance costs				(3,421)
Share of losses of joint ventures				<u>(2,149)</u>
Profit before taxation				6,002
Taxation credit				<u>4,558</u>
Profit for the year				<u>10,560</u>
Other information				
Capital expenditure	12,769	106,583	2,784	122,136
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	<u>—</u>	<u>5,945</u>	<u>—</u>	<u>5,945</u>

No analysis of the Group's assets and liabilities by operating and reportable segments and geographical information of revenue from external customers and non-current assets are disclosed as they are not regularly provided to the CODM.

6. FINANCE COSTS

	2020 HK\$'000	2019 HK\$'000
Interest on:		
— bank borrowings	3,404	2,777
— lease liabilities	<u>554</u>	<u>644</u>
	<u>3,958</u>	<u>3,421</u>

7. (LOSS) PROFIT BEFORE TAXATION

	2020 HK\$'000	2019 HK\$'000
(Loss) profit before taxation has been arrived at after charging:		
Directors' emoluments	21,395	26,446
Other staff costs		
— Salaries and other benefits	132,863	157,533
— Retirement benefit scheme contributions	2,225	2,703
Total staff costs	156,483	186,682
Auditor's remuneration	1,980	2,480
Cost of inventories recognised as expenses (included in cost of sales and services)	9,001	47,169
Depreciation of property, plant and equipment	46,334	59,386
Depreciation of right-of-use assets	13,270	11,093
Commission expenses for casino management services (included in marketing, selling and distribution costs)	27,797	138,615
Impairment loss in respect of property, plant and equipment (included in other income, gains and losses)	5,000	—
Loss on disposal/write-off of property, plant and equipment (included in other income, gains and losses)	9,663	—
Research and development expenditure (included in operating and administrative expenses) (note)	83,152	100,764
Write-down of inventories (included in cost of sales and services)	6,703	5,945
and after crediting:		
Exchange gain (included in other income, gains and losses)	5,658	—
Covid-19-related rent concessions	<u>659</u>	<u>—</u>

Note: Research and development expenditure for the year ended 31 December 2020 of HK\$83,152,000 includes staff costs of HK\$47,973,000, depreciation of property, plant and equipment of HK\$1,548,000 and depreciation of right-to-use assets of HK\$3,176,000 which are included in the respective total amounts disclosed separately above.

Research and development expenditure for the year ended 31 December 2019 of HK\$100,764,000 included staff costs of HK\$46,042,000, depreciation of property, plant and equipment of HK\$1,174,000 and depreciation of right-to-use assets of HK\$2,522,000 which were included in the respective total amounts disclosed separately above.

8. TAXATION (CHARGE) CREDIT

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Macau Complementary Tax		
— current year	(2,000)	(1,000)
— underprovision in respect of prior years	(48)	—
— reversal of provision in prior years	<u>—</u>	<u>6,000</u>
	<u>(2,048)</u>	<u>5,000</u>
Lum Sum Dividend Tax	<u>(377)</u>	<u>(378)</u>
PRC Enterprise Income Tax		
— current year	(11)	(64)
— overprovision in respect of prior years	<u>34</u>	<u>—</u>
	<u>23</u>	<u>(64)</u>
Taxation (charge) credit	<u><u>(2,402)</u></u>	<u><u>4,558</u></u>

No provision for Hong Kong Profits Tax has been recognised 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 both years. 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 (2020: nil).

Pursuant to the letters issued by the Financial Services Bureau of the Macau government dated 15 August 2017 and 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 is not subject to Macau CT for the period from 1 January 2017 to 31 March 2020 and for the period from 1 April 2020 to 26 June 2022, respectively, since it is derived from SJM’s gaming revenue, for which gaming revenue is exempted from Macau CT pursuant to the terms of no. 2 of article 28 of the Law 16/2001 and the exemption granted by Despatch no. 378/2011 of 23 November 2011.

Pursuant to the letters issued by the Financial Services Bureau of the Macau government dated 15 August 2017 and 28 October 2020, LT Macau is obligated to pay an annual lump sum dividend withholding tax of (i) 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 ended 31 March 2020; and (ii) MOP291,000 (equivalent to HK\$283,000) for the period from 1 April 2020 to 31 December 2020, MOP388,000 (equivalent to HK\$377,000) for the period from 1 January 2021 to 31 December 2021 and MOP190,000 (equivalent to HK\$184,000) for the period from 1 January 2022 to 26 June 2022, respectively, 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. 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 2020, provision for taxation of HK\$377,000 (2019: 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, is charged at the appropriate current rate of taxation ruling in the relevant countries.

9. DIVIDEND

2020	2019
<i>HK\$'000</i>	<i>HK\$'000</i>

Dividend for ordinary shareholders of the Company recognised as distribution during the year:

Final dividend paid, per Share

— nil for 2019 (2019: HK2.5 cents for 2018)	—	26,305
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No dividend was paid to the owners of the Company during the year ended 31 December 2020. During the year ended 31 December 2019, a final dividend of HK2.5 cents per Share in respect of year ended 31 December 2018 was paid to the owners of the Company. The Directors determined that no dividend will be declared, proposed or paid for both years.

10. (LOSS) EARNINGS PER SHARE

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

2020	2019
<i>HK\$'000</i>	<i>HK\$'000</i>

(Loss) earnings

(Loss) profit for the year attributable to owners of the Company for the purpose of calculating basic (loss) earnings per Share

	(189,152)	926
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	2020	2019
	'000	'000

Number of Shares

Weighted average number of Shares for the purpose of calculating basic (loss) earnings per Share

	1,052,185	1,052,185
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For the years ended 31 December 2020 and 31 December 2019, no diluted (loss) earnings per Share were presented as there were no dilutive potential ordinary shares.

11. TRADE AND OTHER RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables (<i>note i</i>)	35,183	57,608
Chips on hand (<i>note ii</i>)	13,529	33,244
Deposits paid	18,690	44,333
Loan receivable (<i>note iii</i>)	7,799	14,040
Other receivables and prepayments (<i>note iii</i>)	<u>12,872</u>	<u>14,635</u>
	<u>88,073</u>	<u>163,860</u>

Notes:

- (i) As at 1 January 2019, the carrying amount of trade receivables from contracts with customers was HK\$72,451,000.

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 2020, trade receivables of HK\$35,183,000 (2019: HK\$57,608,000) comprised receivables from contracts with customers and lease receivables of HK\$33,943,000 (2019: HK\$57,155,000) and HK\$1,240,000 (2019: HK\$453,000), 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\$33,391,000 (2019: HK\$55,913,000), which are not past due. The Directors considered that these trade receivables are of good credit quality given the continuous subsequent settlements from gaming operators and other customers and forward-looking information.

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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Age:		
0–30 days	33,391	55,913
31–60 days	330	233
61–90 days	1,403	915
91–180 days	26	532
181–365 days	<u>33</u>	<u>15</u>
	<u>35,183</u>	<u>57,608</u>

- (ii) Chips on hand represent chips issued by gaming operators in Macau which can be exchanged into their cash amounts.
- (iii) The amount represented a loan granted by the Group to a third party (the “Borrower”) 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 a 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 2021. At 31 December 2020, an amount of the interest receivable of HK\$365,000 (2019: HK\$402,000) accrued from the loan was included in other receivables and prepayments.

12. TRADE AND OTHER PAYABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade payables	5,604	17,564
Accrued staff costs	24,375	52,934
Accrued promotional expenses	18,105	25,967
Deposits received	915	1,335
Payable for acquisition of property, plant and equipment	6,217	3,137
Other sundry payables	7,170	9,475
Other accrued expenses	<u>4,020</u>	<u>6,900</u>
	<u>66,406</u>	<u>117,312</u>

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Age:		
0–30 days	3,995	14,339
31–60 days	89	1,717
61–90 days	31	459
91–365 days	729	612
Over 365 days	<u>760</u>	<u>437</u>
	<u>5,604</u>	<u>17,564</u>

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

13. CAPITAL COMMITMENTS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Capital expenditure in respect of property, plant and equipment contracted for but not provided for in the consolidated financial statements	<u>1,146</u>	<u>1,059</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Business Overview

2020 is undoubtedly an extraordinary year. Since the outbreak of Covid-19 in early 2020, the pandemic has hit hard on the economies of Macau, Hong Kong and nearby regions as well as the global economy. This unprecedented pandemic has created worldwide global health crises and severely undermined the customers' confidence and patterns on purchase on many vulnerable businesses including gaming.

As part of the measures to contain the spread of Covid-19 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 in Casino Kam Pek Paradise were suspended on 5 February 2020 and resumed on 20 February 2020 while operations in Casino Waldo were suspended on 5 February 2020 and resumed on 24 February 2020. Moreover, the Macau government has adopted a series of restrictions and quarantine requirement policies to prohibit or significantly reduce non-local citizens from entering into Macau. According to the statistical information published by DICJ, Macau's total GGR for the year ended 31 December 2020 declined by 79.3% from MOP292.4 billion to MOP60.4 billion when compared to the year ended 31 December 2019. Arrivals in Macau tumbled 85.0% from about 39.4 million for the year ended 31 December 2019 to 5.9 million for the year ended 31 December 2020, leaving casinos in Macau devoid of customers. It is reasonable to expect that the social and economic activities would not be able to resume to normal within a short period of time, and the requisite time for the full economic recovery of Macau and the world would remain to be seen.

The contract for the Group's provision of casino management services in Casino Waldo expired on 29 February 2020. Having considered a number of factors thoroughly, in particular, (i) the capital injection requirement on additional monitoring system and equipment to Casino Waldo for the compliance of the new regulatory requirements which would not be recovered before the end of the existing gaming concession according to our analysis; (ii) the relatively high operating costs of the casino; and (iii) also the adverse impact from the outbreak of Covid-19, the Group ultimately decided not to request for renewal or extension of the contract. Accordingly, our provision of casino management services in Casino Waldo terminated since 1 March 2020.

During the year under review, the Group has undertaken a detailed review to identify its strengths in facing this pandemic and explored other businesses in this connection for such attainments. During the extraordinary time, for instance, the Group has made use of its extensive network in the PRC to provide procurement services for overseas customers which has made positive contribution to the Group's results for the year.

Financial Review

Overview of Results

Total reported revenue of the Group for the year ended 31 December 2020 was HK\$351.7 million, representing a decrease of 70.2% over that of HK\$1,181.8 million for the year ended 31 December 2019. The decrease was mainly attributable to a decrease in revenue from provision of casino management services as a result of the outbreak of Covid-19 since early 2020 and the cessation of our provision of casino management services in Casino Waldo since 1 March 2020, and from sale of electronic gaming equipment and systems.

An analysis of the reported revenue by properties/nature is as follows:

	2020	2019
	<i>HK\$ million</i>	<i>HK\$ million</i>
Casinos under the Group's management:		
Casino Kam Pek Paradise	303.1	692.7
Casino Waldo	23.3	311.5
	326.4	1,004.2
Electronic gaming equipment and systems:		
Sale of electronic gaming equipment and systems	20.9	169.9
Leasing of electronic gaming equipment and systems*	3.1	5.2
Royalty income from IGT	1.3	2.5
	25.3	177.6
Total reported revenue	351.7	1,181.8

* Leasing revenue for the year ended 31 December 2020 did not include the intercompany revenue derived from the LMG terminals deployed at the casinos under the Group's management amounting to HK\$70.1 million (2019: HK\$149.0 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 2020 was a loss of HK\$101.1 million, as compared to the Adjusted EBITDA of HK\$87.0 million for the year ended 31 December 2019. The following table reconciles (loss) profit for the year to Adjusted EBITDA:

	2020 <i>HK\$ million</i>	2019 <i>HK\$ million</i>
(Loss) profit for the year	(192.1)	10.6
Adjustments for:		
Interest income	(1.8)	(5.1)
Finance costs	4.0	3.4
Taxation charge (credit)	2.4	(4.5)
Depreciation of property, plant and equipment	46.3	59.4
Impairment loss in respect of property, plant and equipment	5.0	—
Loss on disposal/write-off of property, plant and equipment	9.7	—
Depreciation of right-of-use assets	13.3	11.1
Amortisation of intangible assets	12.1	12.1
Adjusted EBITDA	<u>(101.1)</u>	<u>87.0</u>

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

	2020 <i>HK\$ million</i>	2019 <i>HK\$ million</i>
Casinos under the Group's management:		
Casino Kam Pek Paradise	(42.7)	141.5
Casino Waldo	(17.8)	(27.5)
	<u>(60.5)</u>	<u>114.0</u>
Electronic gaming equipment and systems:		
Sale of electronic gaming equipment and systems	(11.2)	88.1
Leasing of electronic gaming equipment and systems	2.3	3.3
Research and development and other costs	(64.0)	(88.5)
Royalty income from IGT	1.3	2.5
	<u>(71.6)</u>	<u>5.4</u>
Others	31.0	(32.4)
Adjusted EBITDA	<u>(101.1)</u>	<u>87.0</u>

Adjusted EBITDA from casinos under the Group's management segment for the year ended 31 December 2020 was a loss of HK\$60.5 million, as compared to Adjusted EBITDA of HK\$114.0 million for the year ended 31 December 2019. The change was mainly due to the decrease in GGR generated by Casino Kam Pek Paradise (for the year ended 31 December 2020) and Casino Waldo (for the period from 1 January 2020 to 29 February 2020) when compared to those generated for the year ended 31 December 2019. Operations in Casino Kam Pek Paradise were suspended on 5 February 2020 and resumed on 20 February 2020 while operations in Casino Waldo were suspended on 5 February 2020 and resumed on 24 February 2020. Moreover, during the year under review, the Macau government has also adopted certain policies to contain the spread of Covid-19 in Macau including limiting the numbers of gaming tables, ETG machines and slot machines in operation in casinos, quarantine requirements or proof of negative test result for Covid-19 for all travellers entering into Macau, etc. In addition, the Group ceased to provide casino management services in Casino Waldo since 1 March 2020. All these have caused decrease in GGR generated by the casinos under the Group's management and hence affected the Group's business of provision of casino management services for the year under review.

Adjusted EBITDA from the electronic gaming equipment and systems segment for the year ended 31 December 2020 was a loss of HK\$71.6 million, as compared to Adjusted EBITDA of HK\$5.4 million for the year ended 31 December 2019. The change was mainly caused by the decrease in sale of electronic gaming equipment and systems for the year ended 31 December 2020 when compared to the year ended 31 December 2019. Albeit the tough business environment, the Group continued to invest in research and development and other costs on electronic gaming equipment and systems of HK\$64.0 million for the year ended 31 December 2020 in order to prepare for increasing our competitive advantages and getting more market shares in the long run.

Adjusted EBITDA of other businesses in the above table comprised positive contribution of HK\$53.9 million (2019: nil) from the Group's provision of procurement services for the year ended 31 December 2020 which was offset by net corporate and other expenses of the Group of HK\$22.9 million (2019: HK\$32.4 million).

The Group recorded a loss of HK\$192.1 million for the year ended 31 December 2020, as compared to a profit of HK\$10.6 million for the year ended 31 December 2019.

Provision of Casino Management Services

The following table sets out average numbers of gaming tables, LMG terminals and slot machines in operation for the provision of casino management services by the Group for the years ended 31 December 2020 and 31 December 2019:

<i>(Average no. of units)</i>	2020			2019		
	Casino Kam Pek Paradise	Casino Waldo*	Total	Casino Kam Pek Paradise	Casino Waldo	Total
Traditional gaming tables	28	17	45	39	25	64
LMG gaming tables	10	5	15	10	5	15
LMG terminals	537	320	857	996	432	1,428
Slot machines	77	101	178	189	167	356

* *The numbers shown in the above table for Casino Waldo for the year ended 31 December 2020 were for the period from 1 January 2020 to 29 February 2020*

As at 31 December 2020, the Group had a total of 49 gaming tables in Casino Kam Pek Paradise under the Group's management which were all in operation. As at 31 December 2019, the Group had a total of 49 and 30 gaming tables in Casino Kam Pek Paradise and Casino Waldo, respectively, which were all in operation.

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 2020 and 31 December 2019:

		Casino Kam Pek			
		Paradise		Casino Waldo*	
		2020	2019	2020	2019
Traditional gaming tables					
GGR	<i>(HK\$ million)</i>	227.8	684.9	28.7	396.2
Gaming tables	<i>(Average no. of tables)</i>	28	39	17	25
Net win/table/day	<i>(HK\$ thousand)</i>	22.2	48.1	28.1	43.4
LMG gaming tables					
GGR	<i>(HK\$ million)</i>	304.3	534.7	14.3	142.6
Terminals/gaming tables	<i>(Average no. of terminals/tables)</i>	537/10	996/10	320/5	432/5
Net win/terminal/day	<i>(HK\$)</i>	1,548	1,471	745	904
Net win/table/day	<i>(HK\$ thousand)</i>	83.1	146.5	47.7	78.1
Total gaming tables					
GGR	<i>(HK\$ million)</i>	532.1	1,219.6	43.0	538.8
Gaming tables	<i>(Average no. of tables)</i>	38	49	22	30
Net win/table/day	<i>(HK\$ thousand)</i>	38.3	68.2	32.6	49.2
Slot machines					
GGR	<i>(HK\$ million)</i>	24.5	50.6	0.4	8.3
Slot machines	<i>(Average no. of units)</i>	77	189	101	167
Net win/unit/day	<i>(HK\$)</i>	869	733	66	136
Total GGR		556.6	1,270.2	43.4	547.1

* The numbers shown in the above table for Casino Waldo for the year ended 31 December 2020 were for the period from 1 January 2020 to 29 February 2020

For the year ended 31 December 2020, total GGR generated by Casino Kam Pek Paradise amounted to HK\$556.6 million, representing a decrease of 56.2% over that of HK\$1,270.2 million for the year ended 31 December 2019. Total GGR generated by Casino Waldo for the period from 1 January 2020 to 29 February 2020 amounted to HK\$43.4 million, as compared to the amount of HK\$547.1 million for the year ended 31 December 2019.

Breakdown of the revenue attributable to the Group for the two casinos under the Group's management for the years ended 31 December 2020 and 31 December 2019 is as follows:

	2020	2019
	<i>HK\$ million</i>	<i>HK\$ million</i>
Casino Kam Pek Paradise:		
Traditional gaming tables	125.3	376.7
LMG gaming tables	167.3	294.1
Slot machines	10.5	21.9
	303.1	692.7
Casino Waldo*:		
Traditional gaming tables	15.3	225.6
LMG gaming tables	7.8	81.2
Slot machines	0.2	4.7
	23.3	311.5
	326.4	1,004.2

* The numbers shown in the above table for Casino Waldo for the year ended 31 December 2020 were for the period from 1 January 2020 to 29 February 2020

Total revenue attributable to the Group generated by the casinos under the Group's management for the year ended 31 December 2020 was HK\$326.4 million, representing a decrease of 67.5% over that of HK\$1,004.2 million for the year ended 31 December 2019. The decrease in total revenue was due to the decrease in revenue from Casino Kam Pek Paradise for the year ended 31 December 2020 when compared to that for the year ended 31 December 2019 and the Group's cessation of provision of casino management services in Casino Waldo since 1 March 2020.

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

Sale of Electronic Gaming Equipment and Systems

For the year ended 31 December 2020, revenue from sale of electronic gaming equipment and systems amounted to HK\$20.9 million, representing a decrease of 87.7% over that of HK\$169.9 million for the year ended 31 December 2019. Revenue for the year ended 31 December 2020 comprised revenue derived in Macau of HK\$19.3 million (mainly from the sale of 20 LMG terminals and the provision of upgrading services to 438 LMG terminals in Macau) and overseas of HK\$1.6 million (mainly from the sale of 23 slot machines). Revenue for the year ended 31 December 2019 was derived mainly from sale of 799 LMG terminals and provision of upgrading services to 1,051 LMG terminals in Macau.

Leasing of Electronic Gaming Equipment and Systems

For the year ended 31 December 2020, revenue from leasing of electronic gaming equipment and systems amounted to HK\$3.1 million, representing a decrease of 40.4% over that of HK\$5.2 million for the year ended 31 December 2019. Revenue for the year ended 31 December 2020 comprised revenue derived from leasing of electronic gaming equipment and systems in Macau of HK\$2.6 million (2019: HK\$4.0 million) and overseas of HK\$0.5 million (2019: HK\$1.2 million).

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\$1.3 million for the year ended 31 December 2020 (2019: HK\$2.5 million). Up to 31 December 2020, the Group has accumulatively recognised a total royalty income of HK\$9.4 million from IGT.

Impact of Covid-19 on the Group's Business

The uncertainties over the global economy as a result of the Covid-19 pandemic have continued to intensify during the year under review and beyond. These factors continue to affect the overall strategy of the Group's businesses, and accordingly the operations as well as the financial performance. During the period under review, the Group has undertaken a detailed review to identify its strengths in facing this pandemic and explored other businesses in this connection for such attainments. So long as the Covid-19 pandemic situation continues to evolve, the Group will continuously evaluate the situation, where appropriate, make timely announcements on material business developments, in order to keep Shareholders and investors timely informed.

Effect of the Covid-19 pandemic on the Group's operations

As part of the measures to contain the spread of the Covid-19 pandemic in Macau, the Macau government announced the suspension of operations of all casinos in Macau for at least 15 days from 5 February 2020. The Group's operations in Casino Kam Pek Paradise were suspended on 5 February 2020 and resumed on 20 February 2020 while operations in Casino Waldo were suspended on 5 February 2020 and resumed on 24 February 2020. Moreover, during the year under review, the Macau government has also adopted certain policies to contain the spread of Covid-19 in Macau including limiting the numbers of gaming tables, ETG machines and slot machines in operation in casinos, quarantine requirement or proof of negative test result for Covid-19 for all travellers entering into Macau. As a result, such policies and measures prohibited and significantly reduced non-local citizens from entering into Macau, and accordingly the patrons to the casinos under the Group's management.

The pandemic has swept the globe and most casinos, especially those in U.S., Macau and other Southeast Asian countries, which were also shut down for certain periods during the period under review. This has inevitably affected the deployment plan of our self-developed slot machines in these markets.

Assessment of liquidity position and working capital sufficiency

Since the Group has always adopted a prudent financial management approach towards its financial and treasury policies, and despite the Covid-19 pandemic and during the year under review, the Group was on track with this approach to maintain a healthy liquidity position. The Board shall closely monitor 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.

Measures such as cost control, funding and adjustment to business plans to manage the impact of the Covid-19 pandemic

To attenuate the adverse effects to the Group as a result of the pandemic, the Group has taken various measures on cost control to reduce costs, including reducing marketing and promotional expenses of the casinos under the Group's management, requesting and lobbying landlords to reduce rents, and introducing family care leaves to employees, etc. Strategically, the Group decided not to renew the casino management services contract in Casino Waldo after its expiry on 29 February 2020 which has proved itself on the right move for cost control programme. The Group will continue to monitor and review its operating cost level and implement further effective measures so as to keep the Group's competitiveness.

The Group has also made use of its extensive network in the PRC to provide procurement services for overseas customers which has made positive contribution to the Group's results for the year under review. The Group will continue to explore more business opportunities in this economically recessive period.

PROSPECTS

2020 has been an exceptionally challenging and difficult time for all business sectors, and the gaming industry was not an exception, as Covid-19 has impacted every sphere of life and has upended all economies including Macau, Hong Kong and nearby regions as well as the global economy, with travel, tourism, retail and gaming being some of the worst hit industries. The pandemic has brought not only the regional, but global travel and tourism industry almost to a standstill. Gaming markets in Macau and other major jurisdictions have been significantly disrupted as a result of Covid-19.

Nevertheless, the year of 2020 was a remarkable year for our electronic gaming equipment and systems segment in terms of deployment of new slot machines. Recently, our new “Jackpot Series” has just been approved for the Macau market, which contains a group of slot games that are straight-forward, simple and perfectly suited for high denomination areas with non-progressive, standalone progress and linked progressive options. The first two games of the series approved in Macau, namely “Jackpot Tornado” and “Jackpot Bonus”, have received encouraging results in the North American markets and other games in the series are due out soon. Our another brand-new slot game, namely, “TEKKEN” series has also hit the market. Being a famous Japanese media franchise, TEKKEN centered on a series of fighting video and arcade games, which have been very popular with players over decades. The Group is dedicated to continuous innovation in the gaming equipment industry using top-notch and innovative technology to create more good gaming products that are primarily catered for mass market.

We trust technology and innovation would be the key to driving future growth despite the pandemic. 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 market to rival the tables in other casinos in Macau. The Group will follow our unique business model to embracing more synergies of our two business segments which is complement to the development of our high-tech products.

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 AI and other high-tech products with a view to fulfilling customers’ needs with professional solutions on high-tech products in areas of education, sports and living, etc. 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.

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 Covid-19 pandemic which may impact consumer confidence in 2021. 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 other cities of the Greater Bay Area and also other parts of the PRC. 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 a final dividend for the year ended 31 December 2020 (2019: nil).

BOOK CLOSURE FOR 2021 AGM

To ascertain Shareholders' eligibility to attend and vote at the 2021 AGM to be held on 21 May 2021, the register of members of the Company will be closed from 17 May 2021 to 21 May 2021, both days inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the 2021 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, no later than 4:30 p.m. on 14 May 2021.

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 2020, the consolidated net assets of the Group amounted to HK\$406.1 million, representing a decrease of HK\$202.4 million or 33.3% from HK\$608.5 million as at 31 December 2019. The decrease in consolidated net assets of the Group was mainly due to the Group's loss of HK\$192.1 million for the year ended 31 December 2020 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 2020 of HK\$7.1 million.

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

As at 31 December 2020, the Group held pledged bank deposits of HK\$30.3 million, bank balances and cash of HK\$129.2 million and chips on hand of HK\$13.5 million.

The Group's pledged bank deposits as at 31 December 2020 comprise a fixed deposit of HK\$30.0 million (denominated in HK\$, the Group's functional currency, and placed at a Macau bank with original maturity of 12 months) and another fixed deposit of HK\$0.3 million (denominated in Australian dollars and placed at an Australian bank with original maturity of 12 months). The Group's other bank deposits were mainly denominated in HK\$, MOP, Euro and US\$. Given MOP is pegged to HK\$ and HK\$ are linked to US\$, the Group considers that the exposure to exchange rate risk is normal for its bank deposits denominated in MOP and US\$. Exchange rate of Euro against HK\$ fluctuated during the year ended 31 December 2020. For accounting purposes, the Group's bank deposits

denominated in Euro were retranslated into HK\$ at the exchange rate as at 31 December 2020 which resulted in a net unrealised exchange gain of approximately HK\$5.7 million being recognised in the Group's results for the year ended 31 December 2020 (2019: nil).

Borrowing and Gearing Ratio

As at 31 December 2020, the Group had outstanding (i) secured and unguaranteed bank borrowings of approximately HK\$137.0 million (2019: HK\$145.8 million); and (ii) unsecured and unguaranteed amounts due to Directors of HK\$1.6 million (2019: HK\$2.1 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 normal for its bank borrowing denominated in MOP. The maturity profile of the bank borrowings of HK\$137.0 million as at 31 December 2020 spread over a period of more than five years, with HK\$9.0 million repayable within one year, HK\$9.2 million in the second year, HK\$29.0 million in the third to fifth years and HK\$89.8 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 2020 was 34.1% (2019: 24.3%).

During the year ended 31 December 2020, the Group did not employ any financial instruments for hedging purposes.

MATERIAL ACQUISITIONS AND DISPOSALS

The Group made no material acquisitions or material disposals of subsidiaries and associated companies during the year ended 31 December 2020.

CAPITAL COMMITMENTS

As at 31 December 2020, the Group had capital commitment in respect of acquisition of property, plant and equipment which is contracted for but not provided for of HK\$1.1 million (31 December 2019: HK\$1.1 million).

FOREIGN EXCHANGE EXPOSURE

The majority of the Group's income and expenses, bank deposits and bank borrowings are denominated in HK\$ (the Group's functional currency), MOP, Euro 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 that any specific hedge for fluctuation of MOP or US\$ against HK\$ is necessary. The Group has a net exchange exposure to Euro as it maintains certain bank deposits denominated in Euro. The

Group manages its foreign currency risk of Euro against HK\$ by closely monitoring the movement of the exchange rate and may consider specific hedge for significant foreign exchange exposure should additional need arise.

CHARGES ON GROUP ASSETS

As at 31 December 2020, leasehold land and buildings of the Group with the carrying amount of HK\$214.7 million were pledged to secure bank borrowings offered by banks to the Group.

In addition, as at 31 December 2020, the Group pledged bank fixed deposits of HK\$30.3 million, comprising HK\$30.0 million and HK\$0.3 million to secure for guarantees in favour of SJM and a landlord (for fulfilment of all obligations of the related group company as tenant), respectively. The bank deposit of HK\$30.0 million was placed at a bank as fixed deposit pledged to secure for a guarantee in the amount of HK\$45.7 million issued by the bank for the period from 15 May 2020 to 30 June 2023 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 2020, the Group did not have any significant contingent liabilities.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2020, the Group had approximately 770 employees, including approximately 380 gaming operation employees who were employed by SJM to work for Casino Kam Pek Paradise under the Group's management. These gaming operation employees were paid by SJM and the Group reimbursed SJM in full for their salaries and other benefits.

Total staff costs, including Directors' emoluments, for the year ended 31 December 2020 amounted to HK\$293.9 million (2019: HK\$452.6 million), including a total of HK\$137.4 million (2019: HK\$265.9 million) paid or payable for gaming operation employees employed by SJM (for Casino Kam Pek Paradise) or Galaxy (for Casino Waldo).

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.

EVENTS AFTER THE REPORTING PERIOD

There is no 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 2020 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 2020.

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 2020.

UPDATE ON DIRECTORS' INFORMATION

With effect from 1 July 2020, the monthly remuneration payable to Mr. Shan Shiyong, alias, Sin Sai Yung and Mr. Hu Liming, executive Directors, have been revised from HK\$1,000,000 to HK\$200,000 and from HK\$20,000 to HK\$10,000, respectively.

With effect from 1 July 2020, the monthly Director's fee payable to each of Mr. Li John Zongyang, Mr. Kai-Shing Tao and Ms. Tang Kiu Sam Alice, independent non-executive Directors, has been revised from HK\$20,000 to HK\$10,000.

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

INDEPENDENT AUDITOR

The consolidated financial statements of the Company for the year ended 31 December 2020 were audited by Deloitte Touche Tohmatsu. A resolution will be proposed at the 2021 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 of the Company for the year ended 31 December 2020 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 2020 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:

"2021 AGM" the forthcoming annual general meeting of the Company to be held on 21 May 2021

“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/write-off of property, plant and equipment, and costs incurred or associated with corporate exercises or potential projects, where applicable
“AI”	artificial intelligence
“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
“DICJ”	Direcção de Inspeção 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
“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, 25 March 2021

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.