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PARADISE ENTERTAINMENT LIMITED

滙彩控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1180)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2021

RESULTS

The Board announces the unaudited consolidated interim results of the Group for the six months ended 30 June 2021 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2021

	Notes	Six months ended 30 June	
		2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Revenue	3	257,866	177,333
Cost of sales and services		<u>(146,886)</u>	<u>(183,750)</u>
Gross profit (loss)		110,980	(6,417)
Other income, gains and losses		12,384	35,782
Marketing, selling and distribution costs		(33,283)	(32,056)
Operating and administrative expenses		(99,707)	(97,089)
Amortisation of intangible assets		(6,069)	(6,069)
Finance costs	5	(2,027)	(2,005)
Share of losses of joint ventures		<u>(3,622)</u>	<u>(1,176)</u>
Loss before taxation	6	(21,344)	(109,030)
Taxation	7	<u>(187)</u>	<u>(2,306)</u>
Loss for the period		<u><u>(21,531)</u></u>	<u><u>(111,336)</u></u>
Loss for the period attributable to:			
— owners of the Company		(20,774)	(109,446)
— non-controlling interests		<u>(757)</u>	<u>(1,890)</u>
		<u><u>(21,531)</u></u>	<u><u>(111,336)</u></u>
Basic loss per Share	9	<u><u>HK(2.0) cents</u></u>	<u><u>HK(10.4) cents</u></u>

* For identification purposes only

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

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Loss for the period	<u>(21,531)</u>	<u>(111,336)</u>
Other comprehensive income (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)
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of foreign operations	<u>495</u>	<u>(941)</u>
Other comprehensive income (expense) for the period	<u>495</u>	<u>(1,085)</u>
Total comprehensive expense for the period	<u><u>(21,036)</u></u>	<u><u>(112,421)</u></u>
Total comprehensive expense for the period attributable to:		
— owners of the Company	(20,244)	(110,504)
— non-controlling interests	<u>(792)</u>	<u>(1,917)</u>
	<u><u>(21,036)</u></u>	<u><u>(112,421)</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021

		At 30 June 2021 <i>HK\$'000</i> (unaudited)	At 31 December 2020 <i>HK\$'000</i> (audited)
Non-current assets			
Property, plant and equipment		266,260	276,806
Right-of-use assets		19,882	16,419
Intangible assets		50,574	56,643
Convertible loan receivable		10,000	—
Interests in joint ventures		6,410	7,992
Other assets		6,201	4,996
Pledged bank deposits		30,759	30,341
		390,086	393,197
Current assets			
Inventories		61,517	49,856
Trade and other receivables	<i>10</i>	84,303	88,073
Amount due from a joint venture		153	—
Amounts due from related companies		370	80
Bank balances and cash		114,336	129,244
		260,679	267,253
Current liabilities			
Trade and other payables	<i>11</i>	64,429	66,406
Amounts due to Directors		1,665	1,600
Amounts due to joint ventures		230	178
Taxation payable		8,688	8,830
Bank borrowings — due within one year		9,750	8,993
Other borrowing — due within one year		69	—
Lease liabilities		11,086	11,897
Contract liabilities		35,848	23,534
		131,765	121,438
Net current assets		128,914	145,815
Total assets less current liabilities		519,000	539,012

	At 30 June 2021 <i>HK\$'000</i> (unaudited)	At 31 December 2020 <i>HK\$'000</i> (audited)
Non-current liabilities		
Bank borrowings — due after one year	124,280	128,023
Other borrowing — due after one year	416	—
Lease liabilities	<u>9,281</u>	<u>4,930</u>
	<u>133,977</u>	<u>132,953</u>
Net assets	<u>385,023</u>	<u>406,059</u>
Capital and reserves		
Share capital	1,052	1,052
Reserves	<u>343,296</u>	<u>363,540</u>
Equity attributable to owners of the Company	344,348	364,592
Non-controlling interests	<u>40,675</u>	<u>41,467</u>
	<u>385,023</u>	<u>406,059</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

1. GENERAL INFORMATION AND BASIS OF PREPARATION

The Company was incorporated in Bermuda as an exempted company with limited liability and its Shares are listed on the Main Board of the Stock Exchange.

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

The outbreak of a respiratory illness caused by a novel coronavirus (“Covid-19”) since early 2020 still continues to have negative impacts to the business environment and the operations of the Group. As such, the financial positions and performance of the Group were affected in different aspects, including an adverse impact on the revenue and the profit from the casino management services segment as well as recognition of losses from the gaming systems segment for the six months ended 30 June 2021.

Going concern assessment

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

The condensed consolidated financial statements have been prepared on a going concern basis. As at 30 June 2021, the Group had cash and cash equivalents of HK\$114,336,000 and net current assets of HK\$128,914,000. 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 global economic conditions, increased competition, the regulatory environment and the growth rates of the gaming markets of Macau and other jurisdictions. 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 30 June 2021. 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 30 June 2021.

2. SIGNIFICANT ACCOUNTING POLICIES

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

Other than the application of certain accounting policies which became relevant to the Group, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those presented in the annual financial statements of the Group for the year ended 31 December 2020.

Application of amendments to HKFRSs

In the current interim period, the Group has applied 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 2021 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 9, HKAS 39 and HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2
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In addition, the Group has early applied the Amendment to HKFRS 16 “Covid-19-Related Rent Concessions beyond 30 June 2021”.

2.1 *Impacts on early application of Amendment to HKFRS 16 “Covid-19-Related Rent Concessions beyond 30 June 2021”*

The Group has early applied the amendment in the current period. The application has had no impact to the opening accumulated losses at 1 January 2021.

The Group has benefited from waiver of certain lease payments on several leases in office premises during the current period. The Group has derecognised the part of 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\$433,000, which has been recognised as negative variable lease payments in profit or loss for the current period.

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

3. REVENUE

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

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Casino management services:		
Provision of casino management services, recognised over time	<u>227,727</u>	<u>165,875</u>
Electronic gaming equipment and systems:		
Sale of electronic gaming equipment and systems, recognised at a point in time	25,592	9,675
Leasing of electronic gaming equipment and systems — variable operating lease payments	2,735	1,394
Royalty income, recognised over time	<u>1,812</u>	<u>389</u>
	<u>30,139</u>	<u>11,458</u>
Total	<u><u>257,866</u></u>	<u><u>177,333</u></u>
Analysis of revenue:		
Recognised over time	229,539	166,264
Recognised at a point in time	<u>25,592</u>	<u>9,675</u>
	<u>255,131</u>	<u>175,939</u>
Revenue recognition for revenue from contracts with customers	255,131	175,939
Leasing income	<u>2,735</u>	<u>1,394</u>
Total	<u><u>257,866</u></u>	<u><u>177,333</u></u>

4. 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 earned by each segment without allocation of corporate income and expenses, share of losses of joint ventures, finance costs and taxation. 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 six months ended 30 June 2021 (unaudited)

	Casino management services HK\$'000	Gaming systems HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Segment revenue	<u>227,727</u>	<u>30,139</u>		<u>257,866</u>
Segment results	<u>21,632</u>	<u>(21,254)</u>		378
Unallocated corporate income				7,577
Unallocated corporate expenses				(23,650)
Finance costs				(2,027)
Share of losses of joint ventures				<u>(3,622)</u>
Loss before taxation				(21,344)
Taxation				<u>(187)</u>
Loss for the period				<u>(21,531)</u>
Other information				
Capital expenditure	3,409	4,639	7,254	15,302
Amortisation of intangible assets	6,069	—	—	6,069
Depreciation of property, plant and equipment	9,433	4,954	773	15,160
Depreciation of right-of-use assets	<u>2,298</u>	<u>2,296</u>	<u>3,132</u>	<u>7,726</u>

For the six months ended 30 June 2020 (unaudited)

	Casino management services <i>HK\$'000</i>	Gaming systems <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment revenue	<u>165,875</u>	<u>11,458</u>		<u>177,333</u>
Segment results	<u>(80,540)</u>	<u>(50,396)</u>		(130,936)
Unallocated corporate income				43,433
Unallocated corporate expenses				(18,346)
Finance costs				(2,005)
Share of losses of joint ventures				<u>(1,176)</u>
Loss before taxation				(109,030)
Taxation				<u>(2,306)</u>
Loss for the period				<u>(111,336)</u>
Other information				
Capital expenditure	5,441	2,970	17	8,428
Amortisation of intangible assets	6,069	—	—	6,069
Depreciation of property, plant and equipment	22,167	4,970	450	27,587
Depreciation of right-of-use assets	2,318	1,702	2,292	6,312
Loss (gain) on disposal/write-off of property, plant and equipment	9,652	56	(2)	9,706
Impairment loss in respect of property, plant and equipment	5,000	—	—	5,000
Write-down of inventories	<u>—</u>	<u>4,250</u>	<u>—</u>	<u>4,250</u>

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

5. FINANCE COSTS

	Six months ended 30 June	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Interests on bank borrowings	1,637	1,724
Interests on lease liabilities	<u>390</u>	<u>281</u>
Total	<u>2,027</u>	<u>2,005</u>

6. LOSS BEFORE TAXATION

Six months ended 30 June
2021 2020
HK\$'000 HK\$'000
(unaudited) (unaudited)

Loss before taxation has been arrived at after charging:

Directors' emoluments	8,165	13,221
Cost of inventories recognised as expenses (included in cost of sales and services)	2,282	3,401
Depreciation of property, plant and equipment	15,160	27,587
Depreciation of right-of-use assets	7,726	6,312
Short-term lease rentals in respect of rented premises	9,504	10,668
Variable lease rentals in respect of rented premises which are not included in lease liabilities	11,138	9,082
Commission expenses for casino management services (included in marketing, selling and distribution costs)	17,433	14,130
Research and development expenditure (<i>note i</i>) (included in operating and administrative expenses)	37,045	45,056
Loss on disposal/write-off of property, plant and equipment (included in other income, gains and losses)	—	9,706
Impairment loss in respect of property, plant and equipment (included in other income, gains and losses)	—	5,000
Write-down of inventories (included in cost of sales and services)	—	4,250

and after crediting:

Net gain on acquisitions of subsidiaries (included in other income, gains and losses)	3,252	—
Gain on early termination of lease contracts	129	—
Covid-19-related rent concessions (<i>note ii</i>)	433	—
Interest income from convertible loan receivable	120	—
Procurement service income (<i>note iii</i>) (included in other income, gains and losses)	—	43,365

Notes:

- (i) Research and development expenditure for the six months ended 30 June 2021 of HK\$37,045,000 includes staff costs of HK\$21,565,000, depreciation of property, plant and equipment of HK\$740,000, depreciation of right-of-use assets of HK\$1,640,000, which are included in the respective total amounts disclosed separately above.

Research and development expenditure for the six months ended 30 June 2020 of HK\$45,056,000 includes staff costs of HK\$26,527,000, depreciation of property, plant and equipment of HK\$759,000, depreciation of right-of-use assets of HK\$1,521,000, which are included in the respective total amounts disclosed separately above.

- (ii) During the six months ended 30 June 2021, lessors of certain office premises of the Group provided rent concessions to the Group through rent reductions ranging from 20% to 24% over one to four months. During the six months ended 30 June 2020, no rent concessions were provided to the Group.

These were rent concessions that occurred as a direct consequence of the Covid-19 pandemic, which met all of the conditions in HKFRS 16.46B and the Group applied the practical expedient not to assess whether the changes constituted lease modifications. The effects of the changes in lease payments due to forgiveness or waiver by the lessors for the relevant leases of HK\$433,000 were recognised as negative variable lease payments.

- (iii) During the six months ended 30 June 2020, the Group provided procurement services for an overseas customer and recognised net service income of HK\$43,365,000. The Group did not have such service income during the six months ended 30 June 2021.

7. TAXATION

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current taxation (credit) charge:		
Macau Complementary Tax	(1)	2,000
Lump Sum Dividend Tax	188	189
PRC Enterprise Income Tax	—	117
	<u>187</u>	<u>2,306</u>

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

Macau Complementary Tax (“Macau CT”) is calculated at 12% of the estimated assessable profit for the current period. No provision for Macau CT was made in the condensed consolidated financial statements for the six months ended 30 June 2021 as the Group did not generate any assessable profit for that period.

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 Resorts 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 Resorts’ gaming revenue, for which gaming revenue is exempted from Macau CT pursuant to the terms of no. 2 of article 28 of the Law 16/2001 and the exemption granted by Despach no. 378/2011 of 23 November 2011.

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 six months ended 30 June 2021, provision for taxation of HK\$188,000 (six months ended 30 June 2020: HK\$189,000) has been recognised which was charged to the condensed consolidated statement of profit or loss.

PRC Enterprise Income Tax for operating subsidiaries established in the PRC was calculated at the PRC Enterprise Income Tax rate of 25% prevailing in the PRC on the assessable profit for the six months ended 30 June 2020. No provision for PRC Enterprise Income Tax was made in the condensed consolidated financial statements for the six months ended 30 June 2021 as the Group did not generate any assessable profit for that period. 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.

8. DIVIDEND

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

9. LOSS PER SHARE

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

	Six months ended 30 June	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Loss		
Loss for the period attributable to the owners of the Company for the purposes of basic loss per Share	<u>(20,774)</u>	<u>(109,446)</u>
	Six months ended 30 June	
	2021	2020
	<i>'000</i>	<i>'000</i>
	(unaudited)	(unaudited)
Number of Shares		
Weighted average number of Shares for the purposes of basic loss per Share	<u>1,052,185</u>	<u>1,052,185</u>

For the six months ended 30 June 2021 and 30 June 2020, no diluted loss per Share were presented as there were no dilutive potential Shares.

10. TRADE AND OTHER RECEIVABLES

	At 30 June 2021 HK\$'000 (unaudited)	At 31 December 2020 HK\$'000 (audited)
Trade receivables, net (<i>note i</i>)	35,262	35,183
Chips on hand (<i>note ii</i>)	12,000	13,529
Deposits paid	16,222	18,690
Loan receivable (<i>note iii</i>)	7,799	7,799
Other receivables and prepayments (<i>notes iii</i>)	<u>13,020</u>	<u>12,872</u>
	<u>84,303</u>	<u>88,073</u>

Notes:

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

As at 30 June 2021, trade receivables of HK\$35,262,000 (31 December 2020: HK\$35,183,000) comprised receivables from contracts with customers and lease receivables of HK\$34,915,000 (31 December 2020: HK\$33,943,000) and HK\$347,000 (31 December 2020: HK\$1,240,000), respectively.

Before accepting any new customer, the Group gathers and assesses the credit information of the potential customer for considering the customer's quality and determining the credit limits for that customer. Recoverability and credit limit of the existing customers are reviewed by the Group regularly. At the end of the reporting period, included in the Group's trade receivable balances are receivables with an aggregate carrying amount of HK\$28,185,000 (31 December 2020: HK\$33,391,000), which are not past due. The Directors considered that trade receivables are of good credit quality given the continuous subsequent settlements from the gaming operator and other customers and forward-looking information such as the economic outlook.

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

	At 30 June 2021 <i>HK\$'000</i> (unaudited)	At 31 December 2020 <i>HK\$'000</i> (audited)
Age:		
0–30 days	28,259	33,391
31–60 days	196	330
61–90 days	3,250	1,403
91–180 days	3,521	26
181–365 days	—	33
Over 365 days	<u>36</u>	<u>—</u>
	<u>35,262</u>	<u>35,183</u>

- (ii) Chips on hand represent chips issued by a gaming operator in Macau which can be exchanged into their cash amounts.
- (iii) The amount represented a loan granted by the Group to a third party which is a company incorporated in Japan and principally engaged in the development and manufacture of gaming products. The loan is unsecured, bears interest at the rate of 8% per annum and is guaranteed by a director of an indirect non-wholly owned subsidiary of the Company who also holds an 18% shareholding in this non-wholly owned subsidiary. The maturity date of the outstanding loan principal and accrued interest is 5 October 2021. At 30 June 2021, an amount of the interest receivable of HK\$674,000 (31 December 2020: HK\$365,000) accrued from the loan was included in other receivables and prepayments.

11. TRADE AND OTHER PAYABLES

	At 30 June 2021 <i>HK\$'000</i> (unaudited)	At 31 December 2020 <i>HK\$'000</i> (audited)
Trade payables	6,156	5,604
Accrued staff costs	25,112	24,375
Accrued promotional expenses	14,038	18,105
Deposits received	787	915
Payable for acquisition of property, plant and equipment	6,173	6,217
Other sundry payables	8,804	7,170
Other accrued expenses	<u>3,359</u>	<u>4,020</u>
	<u>64,429</u>	<u>66,406</u>

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

	At 30 June 2021 <i>HK\$'000</i> (unaudited)	At 31 December 2020 <i>HK\$'000</i> (audited)
Age:		
0–30 days	4,267	3,995
31–60 days	53	89
61–90 days	29	31
91–365 days	864	729
Over 365 days	<u>943</u>	<u>760</u>
	<u>6,156</u>	<u>5,604</u>

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

12. CAPITAL COMMITMENTS

	At 30 June 2021 <i>HK\$'000</i> (unaudited)	At 31 December 2020 <i>HK\$'000</i> (audited)
Capital expenditure in respect of property, plant and equipment contracted for but not provided for in the condensed consolidated financial statements	<u>3,960</u>	<u>1,146</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Financial Review

Overview of Results

Total reported revenue of the Group for the six months ended 30 June 2021 was HK\$257.9 million, representing an increase of 45.5% over that of HK\$177.3 million for the six months ended 30 June 2020. The increase was mainly attributable to an increase in revenue from the provision of casino management services and from the sale of electronic gaming equipment and systems.

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

	Six months ended 30 June	
	2021	2020
	<i>HK\$ million</i>	<i>HK\$ million</i>
Casinos under the Group's management:		
Casino Kam Pek Paradise	227.7	142.6
Casino Waldo	<u>—</u>	<u>23.3</u>
	<u>227.7</u>	<u>165.9</u>
Electronic gaming equipment and systems:		
Sale of electronic gaming equipment and systems	25.6	9.6
Leasing of electronic gaming equipment and systems*	2.8	1.4
Royalty income from IGT	<u>1.8</u>	<u>0.4</u>
	<u>30.2</u>	<u>11.4</u>
Total reported revenue	<u><u>257.9</u></u>	<u><u>177.3</u></u>

* Leasing revenue for the six months ended 30 June 2021 and 30 June 2020 did not include the intercompany revenue derived from the LMG terminals deployed at the casinos under the Group's management amounting to HK\$47.2 million (six months ended 30 June 2020: HK\$35.2 million) which was included in the reported revenue of respective casinos under the Group's management in the above table.

Adjusted EBITDA for the six months ended 30 June 2021 was HK\$5.1 million, as compared with a loss of HK\$53.5 million for the six months ended 30 June 2020. The following table reconciles loss for the period to Adjusted EBITDA:

	Six months ended 30 June	
	2021	2020
	<i>HK\$ million</i>	<i>HK\$ million</i>
Loss for the period	(21.5)	(111.3)
Adjustments for:		
Interest income	(1.2)	(1.2)
Finance costs	2.0	2.0
Taxation	0.2	2.3
Depreciation of property, plant and equipment	15.2	27.6
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	7.7	6.3
Gain on early termination of lease contracts	(0.1)	—
Amortisation of intangible assets	6.1	6.1
Net gain on acquisitions of subsidiaries	(3.3)	—
Adjusted EBITDA	<u>5.1</u>	<u>(53.5)</u>

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

	Six months ended 30 June	
	2021	2020
	<i>HK\$ million</i>	<i>HK\$ million</i>
Casinos under the Group's management:		
Casino Kam Pek Paradise	39.1	(14.1)
Casino Waldo	<u>—</u>	<u>(21.8)</u>
	<u>39.1</u>	<u>(35.9)</u>
Electronic gaming equipment and systems:		
Sale of electronic gaming equipment and systems	9.5	(7.6)
Leasing of electronic gaming equipment and systems	2.3	0.9
Research and development and other costs	(27.9)	(37.9)
ETG distribution from IGT	<u>1.8</u>	<u>0.4</u>
	<u>(14.3)</u>	<u>(44.2)</u>
Other businesses	<u>(19.7)</u>	<u>26.6</u>
Adjusted EBITDA	<u>5.1</u>	<u>(53.5)</u>

Adjusted EBITDA from the casinos under the Group's management segment for the six months ended 30 June 2021 was HK\$39.1 million, as compared with a loss of HK\$35.9 million for the six months ended 30 June 2020. The turnaround from loss to profit was mainly attributable to the increase in GGR generated by Casino Kam Pek Paradise when compared with those generated for the six months ended 30 June 2020. The Group ceased to provide casino management services in Casino Waldo since 1 March 2020.

Adjusted EBITDA from the electronic gaming equipment and systems segment for the six months ended 30 June 2021 was a loss of HK\$14.3 million, as compared with a loss of HK\$44.2 million for the six months ended 30 June 2020. The reduction in loss was mainly due to the increase in sale of electronic gaming equipment and systems for the six months ended 30 June 2021 when compared with the corresponding period of last year. Albeit the tough business environment, the Group continued to invest a total of HK\$27.9 million in research and development and other costs on electronic gaming equipment and systems for the six months ended 30 June 2021 in order to enhance our competitive advantages, attract more demand and increase market penetration and shares in the long run.

Adjusted EBITDA of other businesses as referred to in the above table for the six months ended 30 June 2021 was a loss of HK\$19.7 million which represented mainly corporate and other expenses of the Group. Adjusted EBITDA of other businesses for the six months ended 30 June 2020 comprised positive contribution of HK\$43.4 million from the Group's provision of procurement services during the six months ended 30 June 2020 which was offset by corporate and other expenses of the Group of HK\$16.8 million.

The Group recorded a loss of HK\$21.5 million for the six months ended 30 June 2021, as compared with a loss of HK\$111.3 million for the six months ended 30 June 2020.

Provision of Casino Management Services

The following table sets out the average numbers of gaming tables, LMG terminals and slot machines in operation for the provision of casino management services by the Group for the six months ended 30 June 2021 and 30 June 2020:

<i>(Average no. of units)</i>	Six months ended 30 June			
	2021	2020		
	Casino Kam Pek Paradise	Casino Kam Pek Paradise	Casino Waldo*	Total
Traditional gaming tables	39	25	17	42
LMG gaming tables	10	10	5	15
LMG terminals	481	604	320	924
Slot machines	<u>80</u>	<u>87</u>	<u>101</u>	<u>188</u>

* The Group ceased to provide casino management services in Casino Waldo since 1 March 2020. The numbers shown in the above table for Casino Waldo for the six months ended 30 June 2020 were for the period from 1 January 2020 to 29 February 2020.

As at 30 June 2021, the Group had a total of 49 (31 December 2020: 49) gaming tables in Casino Kam Pek Paradise under the Group's management which were all in operation.

The following table sets out certain key operational data of gaming tables, LMG terminals and slot machines deployed in the casinos under the Group's management for the six months ended 30 June 2021 and 30 June 2020:

		Six months ended 30 June		
		2021	2020	
		Casino Kam Pek Paradise	Casino Kam Pek Paradise	Casino Waldo*
Traditional gaming tables				
GGR	<i>(HK\$ million)</i>	188.4	103.3	28.7
Gaming tables	<i>(Average no. of tables)</i>	39	25	17
Net win/table/day	<i>(HK\$ thousand)</i>	26.7	22.7	28.1
LMG gaming tables				
GGR	<i>(HK\$ million)</i>	214.6	145.5	14.3
Terminals/gaming tables	<i>(Average no. of terminals/tables)</i>	481/10	604/10	320/5
Net win/terminal/day	<i>(HK\$)</i>	2,465	1,324	745
Net win/table/day	<i>(HK\$ thousand)</i>	118.6	79.9	47.7
Total gaming tables				
GGR	<i>(HK\$ million)</i>	403.0	248.8	43.0
Gaming tables	<i>(Average no. of tables)</i>	49	35	22
Net win/table/day	<i>(HK\$ thousand)</i>	45.4	39.1	32.6
Slot machines				
GGR	<i>(HK\$ million)</i>	13.9	13.6	0.4
Slot machines	<i>(Average no. of units)</i>	80	87	101
Net win/unit/day	<i>(HK\$)</i>	960	859	66
Total GGR	<i>(HK\$ million)</i>	<u>416.9</u>	<u>262.4</u>	<u>43.4</u>

* The Group ceased to provide casino management services in Casino Waldo since 1 March 2020. The numbers shown in the above table for Casino Waldo for the six months ended 30 June 2020 were for the period from 1 January 2020 to 29 February 2020.

For the six months ended 30 June 2021, total GGR generated by Casino Kam Pek Paradise amounted to HK\$416.9 million, representing an increase of 58.9% over that of the last corresponding period of HK\$262.4 million. Total GGR generated by Casino Waldo for the period from 1 January 2020 to 29 February 2020 amounted to HK\$43.4 million.

Breakdown of revenue attributable to the Group for the casinos under the Group's management for the six months ended 30 June 2021 and 30 June 2020 is as follows:

	Six months ended 30 June	
	2021	2020
	<i>HK\$ million</i>	<i>HK\$ million</i>
Casino Kam Pek Paradise:		
Traditional gaming tables	103.6	56.8
LMG gaming tables	118.0	80.0
Slot machines	6.1	5.8
	<u>227.7</u>	<u>142.6</u>
Casino Waldo*:		
Traditional gaming tables	—	15.3
LMG gaming tables	—	7.8
Slot machines	—	0.2
	<u>—</u>	<u>23.3</u>
	<u>227.7</u>	<u>165.9</u>

* The Group ceased to provide casino management services in Casino Waldo since 1 March 2020. The revenue contributed by Casino Waldo as shown in the above table for the six months ended 30 June 2020 was generated during the period from 1 January 2020 to 29 February 2020.

Total revenue attributable to the Group generated by Casino Kam Pek Paradise for the six months ended 30 June 2021 was HK\$227.7 million, representing an increase of 59.7% over that of HK\$142.6 million for the six months ended 30 June 2020. For the six months ended 30 June 2020, Casino Waldo contributed a total revenue of HK\$23.3 million to the Group.

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

Sale of Electronic Gaming Equipment and Systems

For the six months ended 30 June 2021, revenue from the sale of electronic gaming equipment and systems amounted to HK\$25.6 million, representing an increase of 166.7% over that of HK\$9.6 million for the six months ended 30 June 2020. Revenue for the six months ended 30 June 2021 comprised revenue of: (i) HK\$24.6 million (for the six months ended 30 June 2020: HK\$9.6 million) derived mainly from the provision of upgrading services to 1,228 (for the six months ended 30 June 2020: 136) LMG terminals in Macau; and (ii) HK\$1.0 million (for the six months ended 30 June 2020: nil) derived mainly from the sale of 12 (for the six months ended 30 June 2020: nil) slot machines in overseas markets.

Leasing of Electronic Gaming Equipment and Systems

For the six months ended 30 June 2021, revenue from the leasing of electronic gaming equipment and systems amounted to HK\$2.8 million, representing an increase of 100.0% over that of HK\$1.4 million for the six months ended 30 June 2020. Revenue for the six months ended 30 June 2021 comprised revenue derived from the leasing of electronic gaming equipment and systems in Macau of HK\$1.2 million (six months ended 30 June 2020: HK\$1.2 million) and overseas markets of HK\$1.6 million (six months ended 30 June 2020: HK\$0.2 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\$1.8 million for the six months ended 30 June 2021 (for the six months ended 30 June 2020: HK\$0.4 million). Up to 30 June 2021, the Group has accumulatively recognised a total royalty income of HK\$11.2 million from IGT.

Acquisitions of Subsidiaries

On 11 January 2021, the Group acquired the remaining 50% equity interest in Tong Sin Catering And Import & Export Group Company Limited (“Tong Sin”) and Bigger A Import And Export Trade Limited (“Bigger A”) from independent third parties at a total cash consideration of HK\$1.5 million. Tong Sin is principally engaged in the business of importing, exporting and sale of frozen food products and packaged meats, and the investment of 50% interests in Shuang Zuan Management Restaurant Company Limited (“Shuang Zuan”), which is principally engaged in the management and operation of food and beverage businesses in Macau, while Bigger A is inactive. Upon completion of

the acquisitions, Tong Sin and Bigger A have become indirect wholly-owned subsidiaries of the Company. The acquisitions have resulted in a net gain of HK\$3.3 million recognised by the Group for the six months ended 30 June 2021.

Subscription of Convertible Loan

On 1 May 2021, Tong Sin, an indirect wholly-owned subsidiary of the Company, agreed to subscribe for an unlisted convertible loan (the “Convertible Loan”) issued by Shuang Zuan, a joint venture of Tong Sin, at a principal amount of HK\$10.0 million. The Convertible Loan carries interest at 7.2% per annum payable quarterly in arrears with maturity at two years after the date of issue (the “Maturity Date”). Based on the Directors’ knowledge, information and belief, the remaining 50% equity interests in Shuang Zuan are held by independent third parties. Proceed from the issuance of the Convertible Loan is to finance the purchase of property, plant and equipment and general working capital of Shuang Zuan. The Convertible Loan entitles Shuang Zuan, the issuer, to redeem the whole or part of the principal amount at any time between six months after the issuance of the Convertible Loan and the Maturity Date. The Convertible Loan also entitles Tong Sin, the holder, to convert the principal amount by proportion to percentage of the principal over the total amounts of paid-up capital and outstanding shareholder loans to Shuang Zuan at the Maturity Date. The subscription of the Convertible Loan was completed and the Convertible Loan was issued to Tong Sin on 1 May 2021.

Impact of Covid-19 on the Group’s Business

The outbreak of Covid-19 since early 2020 continued to bring unprecedented challenges and adverse impacts to the global economy, as well as our Group’s results for the six months ended 30 June 2021. With the launch of mass vaccination programs in most countries since the second half of 2020, we are delighted to bring hope and light to the end of the tunnel for the resumption to our normal life. However, the rollout of vaccination programs in some parts of the world has been slow or delayed due to various factors. New variant viruses have also fueled a rise in the number of infected cases across countries and regions.

According to the statistical information published by DICJ, Macau’s total GGR for the six months ended 30 June 2021 was MOP49.0 billion, up 45.4% over the same period last year, but it was only 32.8% of Macau’s GGR for the six months ended 30 June 2019. Moreover, Macau’s total GGR for June 2021 dropped 37.4% when compared with that for May 2021. Visitations to Macau also exhibited similar trends. Arrivals in Macau for the six months ended 30 June 2021 was 3.9 million, up 20.2% over the same period last year, but it was only 19.4% of visitation to Macau for the six months ended 30 June 2019. Visitations to Macau for June 2021 dropped 39.0% when compared with that for May 2021. The month-on-month decline in June 2021 followed an outbreak of the pandemic in the neighboring Guangdong Province in late May 2021. In addition, the current wave of new virus variant transmissions in certain parts of Mainland China in recent months and the identification of new cases in Macau in early August 2021 have also tightened the prevention and control measures in Macau and the regions nearby. All these demonstrate that the pandemic remains fluid and fragile, lifted measures may

be reintroduced if there are adverse developments to the pandemic in Macau and other regions with access to Macau. It is still uncertain as to how long it will take for the economy to regain its full momentum.

Under the prevalence of the pandemic, the Group has continued to adopt a prudent but proactive business strategy during the six months ended 30 June 2021. We will continue to examine the Group's expenditure with a sharp focus on reducing costs and expenses by increasing operational efficiency and streamlining our business operations.

PROSPECTS

2021 continues to be a challenging and turbulent year. The evolution of Covid-19 casts significant uncertainties to the global economy, in particular the tourism, entertainment and gaming industries.

Albeit uncertain and difficult business environment, the Group is pleased to report the encouraging results and feedback from the debut of our self-developed slot machines in the North American markets. These slot machines were characterised by popular games which are straight-forward, simple and perfectly suited for high denomination areas with non-progressive, standalone progressive and linked progressive options. We have received positive feedbacks, orders and reorders from customers. The Group is dedicated to the continuous innovation in the gaming equipment industry using top-notch and innovative technology to create more good gaming products that align well with casinos of mass market worldwide.

The gaming markets in Macau and across the globe still face immense volatilities depending on the development of the pandemic, and unforeseen situations such as the effectiveness of the present vaccines. Nevertheless, in view of the increasing awareness of health issues, we were delighted that the distinctive features of our innovative flagship products, the LMG machines, have continued to perform well. LMG provides gaming patrons a more private, spacious and safe environment which are well aligned with the specific safety measures and requirements imposed by the relevant authority to maintain a safe distance between gaming tables, and between gaming machines. The outperformance of the LMG has highlighted the importance of taking the prevailing health issues into account when designing and developing gaming products as well as on casino management strategy, where technology can facilitate such attainment. The Group will continue to invest in research and development and other costs on electronic gaming equipment and systems. We believe such investment strategy will create a solid platform for our future growth in both Macau and the global market in the long run.

In recent years, the Group has been investing increasingly in research and development of 5G, AI and other related high-tech products. The Group's latest research accomplishments including smart wear, smart home and 5G wireless terminal high-tech products adhere to the trend of transformation of high-tech development in wireless edge of 5G and AI. These high-tech products enhance human being's quality of life significantly in areas of education, sports and living, etc. and are highly acclaimed by

sports lovers and parents. In the years to come, we are confident that these high-tech products will be more closely integrated with entertainment business for the continuous enhancement of players' experience and generate fresh revenue streams for the Group.

We expect to continue facing strong and unsteady headwinds and do not anticipate a solid rebound in our overall performance, especially the Covid-19 vaccines remain uncertain as to whether they can completely tackle the present new virus variants, with further uncertainties as to whether other unknown new variants may arise thereafter. We will continue to assess the impact of the pandemic on our operation and financial performance and closely monitor our exposure to the risks and uncertainties in connection with the pandemic and will take appropriate measures as necessary to minimise the risks.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 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 and other 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 six months ended 30 June 2021, the Group was on track with this approach to maintain a healthy liquidity position. The Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time. The Group may utilise the balance of cash for appropriate investment in accordance with the Group's strategic direction and development.

As at 30 June 2021, the consolidated net assets of the Group amounted to HK\$385.0 million, representing a decrease of HK\$21.1 million or 5.2% from HK\$406.1 million as at 31 December 2020. The decrease in consolidated net assets of the Group was mainly due to the Group's loss of HK\$21.5 million for the six months ended 30 June 2021.

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

As at 30 June 2021, the Group held pledged bank deposits of HK\$30.8 million, bank balances and cash of HK\$114.3 million and chips on hand of HK\$12.0 million.

The Group's pledged bank deposits of HK\$30.8 million as at 30 June 2021 comprised a fixed deposit of HK\$30.5 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 and cash of HK\$114.3 million and chips on hand of HK\$12.0 million as at

30 June 2021 were mainly denominated in HK\$, MOP, RMB and US\$. Given MOP is pegged to HK\$ and HK\$ are linked to US\$, the Group considers the exposure to exchange rate risk is normal for its bank deposits denominated in MOP and US\$. Exchange rate of RMB against HK\$ fluctuated during the six months ended 30 June 2021. For accounting purposes, the Group's bank deposits denominated in RMB were retranslated into HK\$ at the exchange rate as at 30 June 2021 which resulted in a net unrealised exchange loss of HK\$0.1 million being recognised in the Group's results for the six months ended 30 June 2021.

Borrowings and Gearing Ratio

As at 30 June 2021, the Group had total outstanding indebtedness of HK\$136.2 million (31 December 2020: HK\$138.6 million) comprising:

- (i) secured and unguaranteed bank borrowings of HK\$132.5 million (31 December 2020: HK\$137.0 million);
- (ii) unsecured and unguaranteed bank borrowing of HK\$1.5 million (31 December 2020: nil);
- (iii) unsecured and unguaranteed other borrowing of HK\$0.5 million (31 December 2020: nil); and
- (iv) unsecured and unguaranteed amounts due to Directors of HK\$1.7 million (31 December 2020: HK\$1.6 million).

Other than the bank borrowing of HK\$1.5 million as at 30 June 2021 which carried interest at a fixed rate of 4% per annum, the Group's bank borrowings carried interest at prevailing market rates and were on floating rate basis. The Group's other borrowing was interest-free. The maturity profile of the bank and other borrowings of HK\$134.5 million as at 30 June 2021 spread over a period of more than five years, with HK\$9.8 million repayable within one year, HK\$10.3 million in the second year, HK\$29.7 million in the third to fifth years and HK\$84.7 million over five years. The amounts due to Directors of HK\$1.7 million as at 30 June 2021 were interest-free and repayable on demand. The Group's bank and other borrowings and amounts due to Directors were denominated in MOP and HK\$. Given MOP is pegged to HK\$, the Group considers that the exposure to exchange rate risk is normal for its indebtedness denominated in MOP.

The Group's gearing ratio (expressed as a percentage of total borrowings over net assets) as at 30 June 2021 was 35.4% (31 December 2020: 34.1%).

During the six months ended 30 June 2021, the Group did not employ any financial instruments for hedging purposes.

CAPITAL COMMITMENTS

As at 30 June 2021, the Group had capital commitment in respect of acquisition of property, plant and equipment which is contracted for but not provided for of HK\$4.0 million (31 December 2020: HK\$1.1 million).

FOREIGN EXCHANGE EXPOSURE

The majority of the Group's income and expenses, bank deposits and bank and other borrowings are denominated in HK\$ (the Group's functional currency), MOP, Euro, RMB and US\$. HK\$ are linked to US\$ and the exchange rate between these two currencies has remained relatively stable over the past several years. MOP is pegged to HK\$, and in many cases the two currencies are used interchangeably in Macau. Due to the stable exchange rates between HK\$ and US\$ and between HK\$ and MOP, the Group does not consider any specific hedge for fluctuation of MOP or US\$ against HK\$ is necessary. The Group has net exchange exposure to Euro and RMB as it maintains certain bank deposits denominated in Euro and RMB during the period under review. The Group manages its foreign currency risk of Euro against HK\$ and RMB 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 30 June 2021, leasehold land and buildings of the Group with the carrying amount of HK\$211.0 million were pledged to secure bank borrowings offered by banks to the Group.

In addition, as at 30 June 2021, the Group pledged bank fixed deposits of HK\$30.8 million, comprising HK\$30.5 million and HK\$0.3 million to secure for guarantees in favour of SJM Resorts and a landlord (for fulfilment of all obligations of the related group company as tenant), respectively. The bank deposit of HK\$30.5 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 Resorts for the Group's fulfilment of all its obligations, in particular for the reimbursement by the Group to SJM Resorts of the employees' compensation and benefits for those gaming operation employees employed by SJM Resorts who work for the casino under the Group's management, as stipulated under the service agreement (and all related supplemental agreements) entered into between SJM Resorts and the Group for provision of casino management services by the Group to SJM Resorts.

CONTINGENT LIABILITIES

As at 30 June 2021, the Group did not have any significant contingent liabilities.

MATERIAL ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENT

Save as disclosed under the sub-section headed "Acquisitions of Subsidiaries" above, there were no material acquisitions, disposals (including material acquisitions and disposals of subsidiaries, associates and joint ventures) or significant investments of the Group for the six months ended 30 June 2021.

FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

As at 30 June 2021 and the date of this announcement, save as disclosed under the sub-section headed "Capital Commitments" above, the Group had no other plans for material investment or capital assets.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2021, the Group had approximately 770 employees, including approximately 380 gaming operation employees who were employed by SJM Resorts to work for Casino Kam Pek Paradise under the Group's management. These gaming operation employees were paid by SJM Resorts and the Group reimbursed SJM Resorts in full for their salaries and other benefits.

Total staff costs, including Directors' emoluments, for the six months ended 30 June 2021 amounted to HK\$131.8 million (for the six months ended 30 June 2020: HK\$171.7 million), including HK\$60.0 million for gaming operation employees employed by SJM Resorts for Casino Kam Pek Paradise (for the six months ended 30 June 2020: a total of HK\$80.8 million for gaming operation employees employed by SJM Resorts for Casino Kam Pek Paradise and 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 of the Group.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2021.

UPDATE ON DIRECTORS' INFORMATION

Biographical details of each of the Directors are set out in the Annual Report 2020 of the Company dated 25 March 2021.

Mr. Hu Liming retired as an executive Director immediately after the close of the annual general meeting of the Company held on 21 May 2021.

Saved as disclosed, the Company is not aware of any changes in the Directors' information which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules subsequent to the date of the Annual Report 2020.

CORPORATE GOVERNANCE

Compliance with the CG Code

In the opinion of the Board, the Company has complied with the code provisions set out in the CG Code throughout the six months ended 30 June 2021, save for the following deviations:

Code Provision A.2.1

Mr. Jay Chun is the Chairman and the Managing Director of the Company. In the opinion of the Board, the roles of the Managing Director and the chief executive officer are the same. Although under code provision A.2.1 of the CG Code, the roles of the Chairman and chief executive officer should be separate and should not be performed by the same individual, the Board considers that the present structure provides the Group with strong and consistent leadership and allows for efficient and effective business planning and execution. Hence, the Board believes that it is in the best interest of the Shareholders that Mr. Jay Chun will continue to assume the roles of the Chairman of the Board and the Managing Director of the Company. However, the Company will review the current structure as and when it becomes appropriate in the 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 (including the existing Directors and the former Director who had been a Director during the six months ended 30 June 2021) have confirmed that they had complied with the requirements set out in the Model Code during the six months ended 30 June 2021.

REVIEW OF INTERIM REPORT 2021 AND UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The Interim Report 2021 of the Company including the unaudited condensed consolidated financial statements of the Company for the six months ended 30 June 2021 has been reviewed by the audit committee of the Company. The unaudited condensed consolidated financial statements of the Company for the six months ended 30 June 2021 have also been reviewed by Deloitte Touche Tohmatsu, the

Company’s independent auditor, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA.

EVENTS AFTER THE REPORTING PERIOD

There is no significant event after the reporting period which is required to be disclosed.

DEFINITIONS

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

“Adjusted EBITDA”	the Group’s profit or loss for the period before interest income, finance costs, taxation, depreciation of property, plant and equipment, impairment loss in respect of property, plant and equipment, gain or loss on disposal/write-off of property, plant and equipment, depreciation on right-of-use assets, gain on early termination of lease contracts, amortisation of intangible assets, gain or loss on acquisition of subsidiaries and costs incurred or associated with corporate exercises or potential projects, where applicable
“AI”	artificial intelligence
“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
“Euro”	the lawful currency of the member states of the European Union
“Galaxy”	Galaxy Casino, S.A., one of the three concessionaires for operation of casinos in Macau

“GGR”	gross gaming revenue, being total net win generated by all casino gaming activities combined, calculated before deduction of commissions and other expenses, if any
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRS(s)”	Hong Kong Financial Reporting Standard(s)
“HKICPA”	Hong Kong Institute of Certified Public Accountants
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IGT”	a Nevada corporation and a subsidiary of International Game Technology PLC, which is listed on the New York Stock Exchange under the trading symbol “IGT”
“independent third parties”	third parties independent of and not connected to the Company and any of its connected persons or any of their respective associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“LMG”	live multi game
“Macau” or “Macao”	the Macao Special Administrative Region of the PRC
“Model Code”	the Model Code for Securities 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
“RMB”	Renminbi, the lawful currency of the PRC
“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 Resorts”	SJM Resorts, S.A. (formerly known as 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

“US\$” the United States dollars, the lawful currency of the United States of America

“%” per cent

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

Hong Kong, 26 August 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) and Mr. Shan Shiyong, alias, Sin Sai Yung and the independent non-executive Directors are Mr. Li John Zongyang, Mr. Kai-Shing Tao and Ms. Tang Kiu Sam Alice.