PARADISE ENTERTAINMENT LIMITED
滙彩控股有限公司*
(Incorporated in Bermuda with limited liability)
(Stock Code : 1180)

ANNUAL REPORT
2021

* For identification purposes only

Contents

Corporate Information

PLACE OF INCORPORATION

Bermuda

BOARD OF DIRECTORS

Executive Directors

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
Mr. Hu Liming (retired on 21 May 2021)

Independent Non-Executive Directors

Mr. LI John Zongyang
Mr. Kai-Shing TAO
Ms. TANG Kiu Sam Alice

AUDIT COMMITTEE

Mr. LI John Zongyang *(Chairman)*
Mr. Kai-Shing TAO
Ms. TANG Kiu Sam Alice

REMUNERATION COMMITTEE

Mr. LI John Zongyang *(Chairman)*
Mr. Jay CHUN
Ms. TANG Kiu Sam Alice

NOMINATION COMMITTEE

Mr. Jay CHUN *(Chairman)*
Mr. LI John Zongyang
Ms. TANG Kiu Sam Alice

AUTHORISED REPRESENTATIVES

Mr. Jay CHUN
Mr. CHAN Kin Man

COMPANY SECRETARY

Mr. CHAN Kin Man

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit C, 19th Floor, Entertainment Building
30 Queen's Road Central
Hong Kong

BERMUDA PRINCIPAL SHARE REGISTRAR

MUFG Fund Services (Bermuda) Limited
4th Floor North
Cedar House
41 Cedar Avenue
Hamilton HM 12
Bermuda

HONG KONG BRANCH SHARE REGISTRAR

Tricor Secretaries Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

HONG KONG LEGAL ADVISORS

Taylor Wessing

INDEPENDENT AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
Registered Public Interest Entity Auditor
35/F, One Pacific Place
88 Queensway
Hong Kong

PRINCIPAL BANKERS

Bank of China Limited, Macau Branch
Bank of China (Hong Kong) Limited
Industrial and Commercial Bank of China (Macau) Limited
Industrial and Commercial Bank of China (Asia) Limited
Banco Well Link, S.A.
Luso International Banking Limited
Tai Fung Bank Limited
Hang Seng Bank Limited
Dah Sing Bank, Limited

LISTING INFORMATION

Place of Listing

Main Board of the Stock Exchange

Stock Code

1180

Board Lot Size

4,000 Shares

INVESTOR RELATIONS

Tel:	(852) 2620 5303
Fax:	(852) 2620 6000
Email:	paradise.ir@hk1180.com

WEBSITE

www.hk1180.com

KEY DATES

Annual results announcement:	24 March 2022
Book close dates for 2022 AGM:	20 to 26 May 2022 (both days inclusive)
2022 AGM:	26 May 2022

CORPORATE COMMUNICATIONS

This annual report (both English and Chinese versions) is now available in printed form or on the websites of the Stock Exchange and the Company at “www.hkexnews.hk” and “www.hk1180.com”, respectively.

Corporate Profile

The Company was incorporated in Bermuda on 3 December 1996 with its Shares listed on the Main Board of the Stock Exchange since 20 January 1997.

The Company is the holding company of a diverse group of companies that embraces synergies of two principal business segments, namely, provision of casino management services (operating under its trade name or brand "LT Macau"); and the development, sale and leasing of electronic gaming equipment and systems (operating under its trade name or brand "LT Game"). Such synergies provide the Group a unique and privileged position in the Macau and overseas gaming markets.

Since 2007, LT Macau has positioned itself as a casino management service provider focusing on mass market patrons for satellite casinos in Macau upon the commencement of Group's service contract with SJM Resorts for the provision of casino management services in Casino Kam Pek Paradise. In 2014, the Group entered into another service contract for provision of casino management services in Casino Waldo, a satellite casino of Galaxy in Macau, and the service contract expired on 29 February 2020 after the Group had determined not to seek renewal or extension of the service contract. LT Macau sets itself apart from its peers by offering patrons affordable minimum bets which attract a large, diverse and loyal patron base, and achieves a notable edge by leveraging technology to lower its operational costs and increase game efficiency and productivity.

LT Game envisions to take on a leadership role to be one of the worldwide leading gaming equipment and systems suppliers for the development of table game automation and innovative technologies that improve game efficiency and optimise operations with a view of bringing patrons an experience of the perfect harmony of high technology and gaming. LT Game's first and core flagship product is the patented LMG system which has seen tremendous demand from Macau and overseas casino operators. The Group is the investor, patent owner and sole provider of LMG systems and terminals and dominates the ETG market in Macau. In addition to the LMG system, LT Game has been investing in developing slot machines and other ETG machines. LT Game has started to launch these self-developed machines in local Macau, North American, and other overseas markets successfully, and shall progressively launch more new machines for the expansion of overseas as well as local Macau markets. Other high-tech gaming related products include cutting-edge technologies such as automatic intelligent robots, face recognition systems and a variety of new types of AI devices and game management systems. LT Game has missions to provide comprehensive solutions in response to the development needs in the future and become a leader in the global gaming equipment market. The Group shall continue to place investments on innovation and development of electronic gaming equipment and systems.

In addition to the gaming business, the Group (operating under its trade name or brand "MedicTec") has invested increasingly in research and development on high-tech healthcare innovative products seeking to integrate accuracy with advanced technologies of AI for the betterment of daily management of health conditions in recent years. The Group has successfully developed and launched smart wear products which utilise AI technology to collect, track and monitor real time health data and information such that users can manage their health conditions more efficiently for better quality of their lives. Whilst MedicTec is gearing towards a world-class personal real-time sports health data management companion for its users, the Group is committed to providing end customers with high-quality one-stop service on smart health, smart sports, smart home and wireless communication product integration solutions.

Chairman's Statement

Jay Chun
Chairman and Managing Director

The Covid-19 pandemic has taken an unprecedented heavy toll on most of the world's economies, particularly in tourist-related sectors such as the entertainment and gaming industries. The several waves of Covid-19 with evolution of different variants continued to place 2021 as a tough and challenging year. With stringent border controls and tightening social distancing measures in place, the number of visitors to Macau dropped significantly in 2021 and 2020 of about 80.4% and 85.0%, respectively as compared with that in 2019 with the normality before the pandemic, and accordingly Macau tourism and gaming industries were hit hard. First and foremost, I wish to sincerely express my deepest sympathy and warmest regards to the individuals and families who have been affected by this global pandemic, and to extend my gratitude to the medical frontiers and professionals in the public health care sector for their tireless efforts in combating the global pandemic not only for our generation but the next.

It goes without saying that the tourism and gaming industries have long been the pillars of Macau's economy. It is good to note from the statistical information published by DICJ that Macau full year total GGR was MOP86.9 billion in 2021, representing a 43.9% improvement over that in 2020, but was down 70.3% as compared with that in 2019. In other words, the mild recovery in terms of Macau total GGR in 2021 over 2020 was still very far from the Macau total GGR of MOP292.5 billion in 2019 (Macau total GGR in 2021 represented only 29.7% of that in 2019). It is practically difficult to predict when Macau as well as Hong Kong and the world will start experiencing something close to a full recovery from the effects of the pandemic. One thing for certain is that the demand for gaming in Macau will continue to be weakened as a result of the mandatory control measures taken by the Macau government such as cross-border travel restrictions and safety social distancing measures if the pandemic situations fluctuate or even deteriorate.

Despite the uncertain and difficult business environment, we remain focused on our vision and mission. The Group will adhere to 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. This has been the cornerstone of our development. In this connection, we are pleased to report encouraging results and positive feedbacks, orders and re-orders from the debut of our self-developed slot machines in the North American markets. Our self-developed slot machines are 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. Nevertheless, in the face of challenges such as the new coronavirus epidemic, the Sino-U.S. rivalry and the fluctuations in external markets, global economy in recession, unemployment rates in many countries on the rise, and financial markets in turmoil, etc., the Group will persistently be both prudent and proactive in expanding appropriate overseas markets.

Our flagship product, the LMG machines, has unique and distinctive features which fit well to meet the DICJ's specific measures and requirements in view of the pandemic such as keeping a safe distance between gaming tables, and between gaming machines. Over the past years in time of pandemic, LMG machines serve to, on the one hand, improve operational efficiency of casinos, and on the other hand, provide an optimal solution to resolve the issue of the climbing labour costs of dealers and staff. We are confident that LMG machines have ample room for development in the future, both in the Macau and overseas gaming markets. According to the statistical information published by DICJ, Macau's total LMG machines' GGR for the year ended 31 December 2021 increased by 48.4% from MOP923 million to MOP1,370 million when compared with the year ended 31 December 2020. Total GGR of LMG machines at Casino Kam Pek Paradise for the year ended 31 December 2021 increased by 28.4% from HK$304.3 million to HK$390.7 million when compared with the year ended 31 December 2020. This highlighted the success of our casino management strategy embracing synergies of two principal business segments, namely, provision of casino management services and the development, sale and leasing of electronic gaming equipment and systems and showcased how we can fully utilise our patented high-tech innovative electronic table gaming experience into the casino managed by the Group, which aims to increase not only the operational efficiency, but also patrons' gaming experiences.

No doubt, health is a major concern to every walk of life in this unprecedent time as the pandemic sweeping the world has cast a shadow over human health and the world. The Group continued to invest in research and development on AI and other related high-tech products in areas of education, sports and living etc. The Group was privileged to take part in the Fourth China International Import Expo which was held in Shanghai in early November 2021 to showcase our latest high-tech products of smart wearables series, smart sports series and the medical and health series. Some of our smart wear products have received very positive feedbacks and valuable opinions from users and enterprises, which were important to us for our strategy and business planning. The Group would adopt a prudent approach by continuously investing in and making efforts to contribute on innovations for the development of new products to be applicable on public hygiene and health aspects. We believe such investment strategy will create a solid platform for our future growth in both Macau and the global markets in the long run.

As regards to the recent announcement of the gaming law amendment bill titled "Amendment to Law No. 16/2001 — Legal Framework for the Operations of Casino Games of Fortune" by the Macau government, it is generally expected that the enhancement of the new regulations would be beneficial to the promotion of a sustainable and healthy development of Macau's gaming industry. As the industry is majorly focused on the healthy development of the mass market, the diverse consistency of clientele in the mass gaming market is crucial to Macau's economic diversification. Macau, being one of the focal points in the Guangdong-Hong Kong-Macau Greater Bay Area, the proposed gaming legislation fits to expedite Macau as a world centre of tourism and leisure, and fosters its diversified tourism development in the area. The Group has a strong will of continuing to provide efficient casino management services under the new regulations and will stay attentive to the development and identification of cooperation opportunities in order to contribute to the Macau gaming industry within the ambit of the new laws.

Last but not least, I would like to thank my colleagues including Board members, executives and other employees, as well as our Shareholders, customers and business partners for their unwavering support over the years and their courage and dedication in the face of adversity during this difficult period in time of the pandemic. I trust blue skies are ahead, and look forward to working with each of the stakeholders closely to emerge from this pandemic with optimism in the future.

Jay Chun
Chairman and Managing Director

Hong Kong, 24 March 2022

Management Discussion and Analysis

BUSINESS AND FINANCIAL REVIEW

Overview of Results

Total reported revenue of the Group for the year ended 31 December 2021 was HK$494.1 million, representing an increase of 40.5% over that of HK$351.7 million for the year ended 31 December 2020. The increase was mainly attributable to the increase in revenue from the provision of casino management services in Macau and the sale/leasing of electronic gaming equipment and systems in both Macau and overseas markets.

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

	2021 HK$ million	2020 HK$ million
Casinos under the Group's management in Macau:		
Casino Kam Pek Paradise	**415.7**	303.1
Casino Waldo	**–**	23.3
	415.7	326.4
Electronic gaming equipment and systems:		
Sale/leasing of electronic gaming equipment and systems in Macau*	**64.7**	21.9
Sale/leasing of electronic gaming equipment and systems overseas	**10.9**	2.1
Royalty income from IGT	**2.8**	1.3
	78.4	25.3
Total reported revenue	**494.1**	351.7

* Leasing revenue in Macau for the years ended 31 December 2021 and 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$86.0 million (2020: HK$70.1 million) which was included in the reported revenue of respective casinos under the Group's management in the above table.

BUSINESS AND FINANCIAL REVIEW (Continued)

Overview of Results (Continued)

Adjusted EBITDA for the year ended 31 December 2021 was a loss of HK$18.4 million, as compared with a loss of HK$101.1 million for the year ended 31 December 2020. The following table reconciles loss for the year to Adjusted EBITDA:

	2021 **HK$ million**	2020 HK$ million
Loss for the year	**(88.4)**	(192.1)
Adjustments for:		
Interest income	**(2.1)**	(1.8)
Finance costs	**4.0**	4.0
Taxation	**0.4**	2.4
Depreciation of property, plant and equipment	**29.2**	46.3
Impairment loss in respect of property, plant and equipment	**—**	5.0
Loss on disposal/write-off of property, plant and equipment	**0.1**	9.7
Depreciation of right-of-use assets	**14.9**	13.3
Impairment loss in respect of amount due from a joint venture	**1.9**	—
Loss from change in fair value of convertible loan	**9.7**	—
Amortisation of intangible assets	**12.1**	12.1
Others	**(0.2)**	—
Adjusted EBITDA	**(18.4)**	(101.1)

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

	2021 **HK$ million**	2020 HK$ million
Casinos under the Group's management:		
Casino Kam Pek Paradise	**42.3**	(42.7)
Casino Waldo	**—**	(17.8)
	42.3	(60.5)
Electronic gaming equipment and systems:		
Sale/leasing of electronic gaming equipment and systems	**28.6**	(8.9)
Research and development and other costs	**(52.6)**	(64.0)
ETG distribution from IGT	**2.8**	1.3
	(21.2)	(71.6)
Other businesses	**(22.8)**	41.0
Corporate and other expenses	**(16.7)**	(10.0)
Adjusted EBITDA	**(18.4)**	(101.1)

BUSINESS AND FINANCIAL REVIEW (Continued)

Overview of Results (Continued)

Adjusted EBITDA from the casinos under the Group's management segment for the year ended 31 December 2021 was HK$42.3 million, as compared with a loss of HK$60.5 million for the year ended 31 December 2020. The turnaround from loss to profit was mainly attributable to the increase in GGR generated by Casino Kam Pek Paradise for the year ended 31 December 2021 when compared with those generated for the year ended 31 December 2020. In addition, the Group ceased to provide casino management services in Casino Waldo since 1 March 2020, which was loss-making in 2020.

Adjusted EBITDA from the electronic gaming equipment and systems segment for the year ended 31 December 2021 was a loss of HK$21.2 million, as compared with a loss of HK$71.6 million for the year ended 31 December 2020. The reduction in loss was mainly due to the increase in sale/leasing of electronic gaming equipment and systems for the year ended 31 December 2021 as demand in Macau and overseas markets increased when compared with the corresponding period of last year. Albeit the tough business environment, the Group continued to invest a total of HK$52.6 million in research and development and other costs on electronic gaming equipment and systems for the year ended 31 December 2021 in order to enhance its product specifications, competitive advantages, attract more demand and increase market penetration and shares in the long run.

Adjusted EBITDA of other businesses of the Group as referred to in the above table for the year ended 31 December 2021 was a loss of HK$22.8 million. Adjusted EBITDA of the other businesses of the Group for the year ended 31 December 2020 of HK$41.0 million comprised positive contribution of HK$53.9 million from the Group's provision of procurement services which was offset by loss of other businesses of HK$12.9 million. There was no such provision of procurement services by the Group in 2021.

BUSINESS AND FINANCIAL REVIEW (Continued)

Overview of Results (Continued)

Corporate and other expenses of the Group as referred to in the above table for the year ended 31 December 2021 was HK$16.7 million. Corporate and other expenses of the Group for the year ended 31 December 2020 of HK$10.0 million comprised a net unrealised exchange gain of HK$5.7 million (mainly from translation of the Group's bank deposits denominated in Euro into HK$ as at 31 December 2020) which was offset by corporate and other expenses of the Group of HK$15.7 million.

The Group recorded a loss of HK$88.4 million for the year ended 31 December 2021, as compared with a loss of HK$192.1 million for the year ended 31 December 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 years ended 31 December 2021 and 31 December 2020:

	2021	2020		
(Average no. of units)	**Casino Kam Pek Paradise**	Casino Kam Pek Paradise	Casino Waldo*	Total
Traditional gaming tables	**39**	28	17	45
LMG gaming tables	**10**	10	5	15
LMG terminals	**486**	537	320	857
Slot machines	**89**	77	101	178

* 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 year ended 31 December 2020 were for the period from 1 January 2020 to 29 February 2020.

As at 31 December 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.

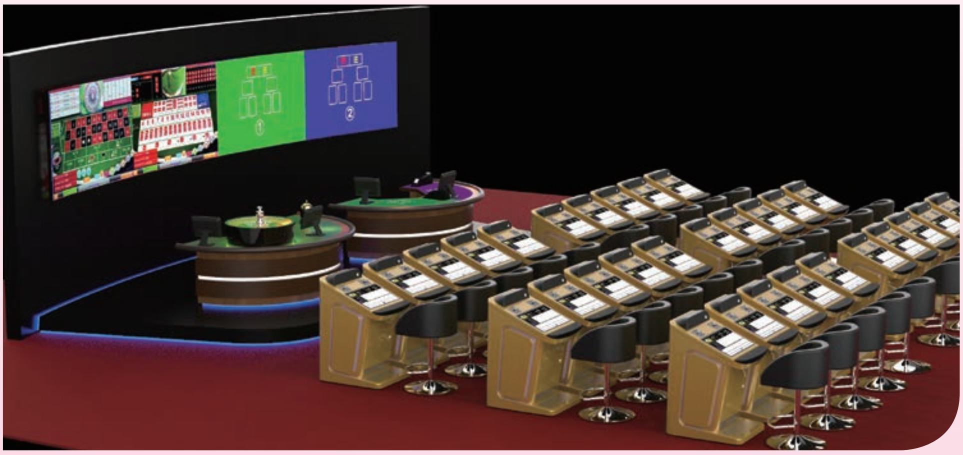
BUSINESS AND FINANCIAL REVIEW (Continued)

Provision of Casino Management Services (Continued)

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 years ended 31 December 2021 and 31 December 2020:

		2021	2020	
		Casino Kam Pek Paradise	Casino Kam Pek Paradise	Casino Waldo*
Traditional gaming tables				
GGR	*(HK$ million)*	**341.4**	227.8	28.7
Gaming tables	*(Average no. of tables)*	**39**	28	17
Net win/table/day	*(HK$ thousand)*	**24.0**	22.2	28.1
LMG gaming tables				
GGR	*(HK$ million)*	**390.7**	304.3	14.3
Terminals/gaming tables	*(Average no. of terminals/tables)*	**486/10**	537/10	320/5
Net win/terminal/day	*(HK$)*	**2,202**	1,548	745
Net win/table/day	*(HK$ thousand)*	**107.0**	83.1	47.7
Total gaming tables				
GGR	*(HK$ million)*	**732.1**	532.1	43.0
Gaming tables	*(Average no. of tables)*	**49**	38	22
Net win/table/day	*(HK$ thousand)*	**40.9**	38.3	32.6
Slot machines				
GGR	*(HK$ million)*	**29.6**	24.5	0.4
Slot machines	*(Average no. of units)*	**89**	77	101
Net win/unit/day	*(HK$)*	**911**	869	66
Total GGR	*(HK$ million)*	**761.7**	556.6	43.4

* 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 year ended 31 December 2020 were for the period from 1 January 2020 to 29 February 2020.



BUSINESS AND FINANCIAL REVIEW (Continued)

Provision of Casino Management Services (Continued)

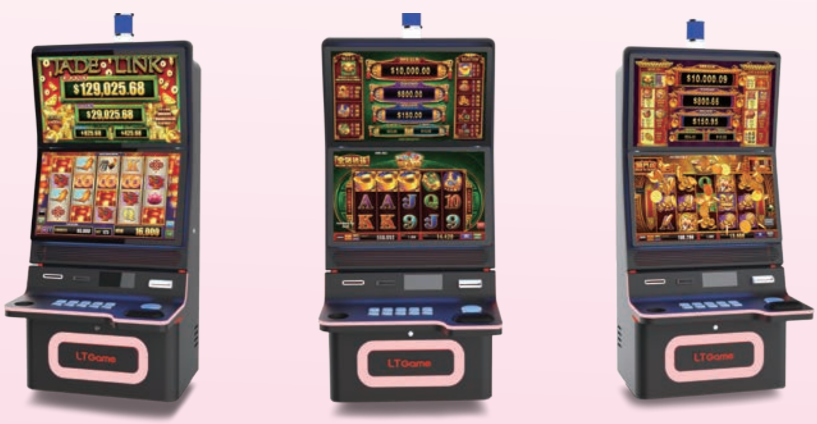
For the year ended 31 December 2021, total GGR generated by Casino Kam Pek Paradise amounted to HK$761.7 million, representing an increase of 36.8% over that of HK$556.6 million for the year ended 31 December 2020. Total GGR generated by Casino Waldo for the period from 1 January 2020 to 29 February 2020 amounted to HK$43.4 million.

Breakdown of revenue attributable to the Group for the casinos under the Group's management for the years ended 31 December 2021 and 31 December 2020 is as follows:

	2021 **HK$ million**	2020 HK$ million
Casino Kam Pek Paradise:		
Traditional gaming tables	**187.8**	125.3
LMG gaming tables	**214.9**	167.3
Slot machines	**13.0**	10.5
	415.7	303.1
Casino Waldo*:		
Traditional gaming tables	**–**	15.3
LMG gaming tables	**–**	7.8
Slot machines	**–**	0.2
	–	23.3
	415.7	326.4

* 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 year ended 31 December 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 year ended 31 December 2021 was HK$415.7 million, representing an increase of 37.1% over that of HK$303.1 million for the year ended 31 December 2020. For the year ended 31 December 2020, Casino Waldo contributed a total revenue of HK$23.3 million to the Group.



BUSINESS AND FINANCIAL REVIEW (Continued)

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

Sale/Leasing of Electronic Gaming Equipment and Systems in Macau

For the year ended 31 December 2021, revenue from sale/leasing of electronic gaming equipment and systems in Macau amounted to HK$64.7 million, representing an increase of 195.4% over that of HK$21.9 million for the year ended 31 December 2020. Revenue for the year ended 31 December 2021 in Macau comprised revenue of (i) HK$30.5 million (2020: HK$2.9 million) derived mainly from the sale of 116 (2020: 20) LMG terminals; (ii) HK$31.2 million (2020: HK$16.4 million) derived mainly from the provision of upgrading services to 1,607 (2020: 438) LMG terminals; and (iii) HK$3.0 million (2020: HK$2.6 million) derived from leasing of electronic gaming equipment and systems.

Sale/Leasing of Electronic Gaming Equipment and Systems Overseas

For the year ended 31 December 2021, revenue from sale/leasing of electronic gaming equipment and systems in overseas market, mainly from the North American markets, amounted to HK$10.9 million, representing an increase of 419.0% over that of HK$2.1 million for the year ended 31 December 2020. Revenue for the year ended 31 December 2021 in overseas market comprised revenue of (i) HK$6.5 million (2020: HK$1.6 million) derived mainly from the sale of 99 (2020: 23) slot machines; and (ii) HK$4.4 million (2020: HK$0.5 million) derived from leasing of slot machines and other electronic gaming equipment and systems. Up to 31 December 2021, the Group has accumulatively deployed a total of 342 units of slot machine in the markets of North America and regions nearby, including a total of 122 units sold and a total of 220 units under leasing as at 31 December 2021.

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$2.8 million for the year ended 31 December 2021 (2020: HK$1.3 million). Up to 31 December 2021, the Group has accumulatively recognised a total royalty income of HK$12.2 million from IGT.

Acquisitions of Subsidiaries

On 11 January 2021, the Group acquired the remaining 50% equity interests 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. Based on the Directors' knowledge, information and belief, the remaining 50% equity interests in Shuang Zuan are held by independent third parties. Upon completion of the acquisitions on 11 January 2021, Tong Sin and Bigger A have become indirect wholly-owned subsidiaries of the Company.

BUSINESS AND FINANCIAL REVIEW (Continued)

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"). 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 on the Maturity Date. The subscription of the Convertible Loan was completed and the Convertible Loan was issued to Tong Sin on 1 May 2021. The Group regularly monitors the business and financial performance of Shuang Zuan and expects to continue receiving interest from the Convertible Loan and Tong Sin may consider exercising the aforesaid conversion option of the Convertible Loan on the Maturity Date depending on the then financial positions of Shuang Zuan and the Group.

During the year ended 31 December 2021, especially in the second half of the year, the Covid-19 pandemic situations in Macau, Hong Kong as well as other parts of the world fluctuated significantly or deteriorated mainly due to the evolution of new virus variants which in turn causing various social distancing measures and cross-border travel controls being tightened. All these have severely affected the food and beverage businesses in Macau. In view of the unprecedented challenges arising from and the uncertain development of the Covid-19 pandemic, the Directors assessed the fair value of the Convertible Loan with the assistance of an independent professional valuer as at 31 December 2021 and determined that a loss from change in fair value of the Convertible Loan of HK$9.7 million was recognised in the consolidated financial statements of the Group for the year ended 31 December 2021.

IMPACT OF COVID-19 ON THE GROUP'S BUSINESS

As for most enterprises globally, 2021 continued to be a year of unprecedented challenges. The Group has been affected by the Covid-19 pandemic. With the launch of mass vaccination programs in some countries since the second half of 2020, people were longing to see the light for ending this pandemic and for resuming normal life. However, the rollout of vaccination programs in some parts of the world has been slow or delayed due to various factors. New virus variants have also fueled a rise in the number of infected cases across countries and regions. For instance, Hong Kong is at present facing a severe outbreak of omicron reported cases, despite the pandemic had largely been in control beforehand. All these demonstrate that the pandemic remains fluid and fragile, lifted measures may be reintroduced if there are adverse developments to the pandemic. 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 for the year ended 31 December 2021. The Group has taken various measures on costs control including streamlining operation and reporting departmental structure for improving efficiency, reducing marketing and promotional expenses, requesting and lobbying landlords on rent reduction, implementing family care leaves to employees, etc. 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. We will still pay attention to identify new business opportunities in Macau and overseas markets that may appear from time to time to further improve the profitability of the Group, maintain the sustainability of its business and bring benefits to the Shareholders. However, in light of numerous uncertainties that exist in the global market, the Group will take prudent approach in future development plan.

PROSPECTS

Although the Group is still facing unprecedented challenges arising from the subsisting and uncertain development of the Covid-19 pandemic since early 2020 which has led to the travel restrictions of tourists in many countries and regions including Macau and Hong Kong, and affected the Group's gaming business, we consider such unfavorable market conditions could be progressively relieved upon the upcoming vaccination worldwide in the future. We remain confident that the Group's business growth will continue to be propelled by our 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.

On a positive note, we are particularly pleased to see the encouraging result 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. Having received positive feedbacks, orders and reorders for the slot machines, we expect the deployment of our slot machines should progress well in these markets. Yet, to stay resilient in the evolving conditions and possibly lingering uncertainty ahead in particular the Sino-U.S. rivalry, the Group will persistently be both prudent and proactive in expanding appropriate overseas markets.

We are cautiously optimistic about the performance of our LMG machines and expect that they would continue to perform well progressively. During the pandemic, uniquely our LMG machines facilitate the implementation of health or safety issues in casinos such as providing social distancing. The recent winding down of junket operators and their related businesses in Macau have rolled down and channeled the VIP business segment to mass segment significantly on where the Group's strategic position has long been focusing. In addition, it should not be disputable that the casino operators are encountering grave difficulties on combating with the sharp increase in operating costs. High operating costs in Macau require the casinos to impose high minimum bets, which to some points are out of the reach of the mass market players. The LMG system captures the distinctive ability to improve game efficiency and optimise operations. We therefore expect to see further room for the growth on the LMG machines due to the cost efficiencies in that they reduce labour costs for operators, while still providing the thrill of the live table for the players.

The existing concession contract between the Macau government and SJM Resorts (pursuant to which Casino Kam Pek Paradise is licensed for operation) will expire on 26 June 2022, unless extended pursuant to the applicable laws of Macau. In early March 2022, the Macau government announced that, in view of the Macau gaming laws being reviewed in the legislative process, they would consider the extension of the SJM Resorts' concession contract up to the end of 2022 and such extension is targeted to be completed by 26 June 2022. The Group will stay alert to changes in laws, rules, regulations, policies and practices and to adjust business strategic plans to cope with these changes and will keep close communications with SJM Resorts in this respect.

PROSPECTS (Continued)

As regards to the recent announcement of the gaming law amendment bill titled "Amendment to Law No. 16/2001 — Legal Framework for the Operations of Casino Games of Fortune" (the "Draft Bill") by the Macau government, it has stipulated certain new regulations which, if adopted and enacted, will significantly affect the operation of satellite casinos. The Group, being the service provider of Casino Kam Pek Paradise, shall be affected by the enactment of the Draft Bill. The Group is still waiting for further details of relevant provisions of the Draft Bill to be announced and confirmed and will assess its impact on the Group's operations. That said, it has no doubt that satellite casinos (including Casino Kam Pek Paradise) in Macau have made significant contribution to Macau's economic development and job creation in the past decades. The Group has a good reputation as a casino management service provider focusing on mass market patrons for satellite casinos, and has a strong foothold on this aspect in the gaming industry, which has been demonstrated by the outperformance of Casino Kam Pek Paradise than many other satellite casinos. The Group has a strong will of continuing to provide efficient casino management services and will stay attentive to the development and identification of cooperation opportunities in order to contribute to the Macau gaming industry within the ambit of the new laws.

We expect to continue facing strong and unsteady headwinds, especially with the fluctuations of the number of infected cases due to the Covid-19 pandemic with further uncertainties as to whether other unknown new virus 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.

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 year ended 31 December 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 31 December 2021, the consolidated net assets of the Group amounted to HK$319.0 million, representing a decrease of HK$87.1 million or 21.4% 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$88.4 million for the year ended 31 December 2021.

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

As at 31 December 2021, the Group held pledged bank deposits of HK$30.7 million, bank balances and cash of HK$64.0 million and chips on hand of HK$10.6 million.

The Group's pledged bank deposits of HK$30.7 million as at 31 December 2021 comprise a fixed deposit of HK$30.4 million (denominated in HK$, 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$64.0 million and chips on hand of HK$10.6 million as at 31 December 2021 were mainly denominated in HK$, MOP, RMB, and US$. Given MOP is pegged to HK$ and HK$ are linked to US$, the Group considers that the exposure to exchange rate risk is normal for its bank deposits denominated in MOP and US$. Exchange rate of RMB against HK$ fluctuated during the year ended 31 December 2021. For accounting purposes, the Group's bank deposits denominated in RMB were re-translated to HK$ at the exchange rate as at 31 December 2021 which resulted in a net unrealised exchange gain of HK$0.3 million being recognised in the Group's results for the year ended 31 December 2021 (2020: a net unrealised exchange gain of HK$5.7 million mainly arising from the re-translation of bank deposits denominated in Euro to HK$ at 31 December 2020).

LIQUIDITY AND FINANCIAL RESOURCES (Continued)

Borrowing and Gearing Ratio

As at 31 December 2021, the Group had total outstanding indebtedness of HK$131.4 million (2020: HK$138.6 million) comprising:

(i) secured and unguaranteed bank borrowings of HK$128.0 million (2020: HK$137.0 million);

(ii) unsecured and unguaranteed bank borrowing of HK$1.2 million (2020: nil);

(iii) unsecured and unguaranteed other borrowing of HK$0.5 million (2020: nil); and

(iv) unsecured and unguaranteed amounts due to Directors of HK$1.7 million (2020: HK$1.6 million).

Other than the bank borrowing of HK$1.2 million as at 31 December 2021 which carried interest at a fixed rate of 4.0% 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$129.7 million as at 31 December 2021 spread over a period of more than five years, with HK$9.9 million repayable within one year, HK$10.1 million in the second year, HK$30.0 million in the third to fifth years and HK$79.7 million over five years. The amounts due to Directors of HK$1.7 million as at 31 December 2021 were interest-free and repayable on demand. The Group's bank and other borrowings and amounts due to Directors were denominated in MOP and HK$. 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 31 December 2021 was 41.2% (2020: 34.1%).

During the year ended 31 December 2021, the Group did not employ any financial instruments for hedging purposes.

CAPITAL COMMITMENTS

As at 31 December 2021, the Group had capital commitments in respect of acquisition of property, plant and equipment which is contracted for but not provided for of HK$4.8 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, RMB, US$ and Euro. 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 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 risks of Euro against HK$ and RMB against HK$ by closely monitoring the movement of the exchange rates and may consider specific hedge for significant foreign exchange exposure should additional need arise.

CHARGES ON GROUP ASSETS

As at 31 December 2021, leasehold land and buildings of the Group with the carrying amount of HK$207.3 million were pledged to secure bank borrowings offered by banks to the Group.

In addition, as at 31 December 2021, the Group pledged bank fixed deposits of HK$30.7 million, comprising HK$30.4 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$30.4 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 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 management of the Group, 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 31 December 2021, the Group did not have any significant contingent liabilities.

MATERIAL ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENTS

Save as disclosed under the sub-sections headed "Acquisitions of Subsidiaries" and "Subscription of Convertible Loan" above, there were no material acquisitions, disposals (including material acquisitions and disposals of subsidiaries, associates and joint ventures) or significant investments of the Group during the year ended 31 December 2021.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at 31 December 2021 and the date of this annual report, save as disclosed under the sub-section headed "Capital Commitments" above, the Group had no other plans for material investments or capital assets.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2021, the Group had approximately 740 employees, including approximately 370 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 year ended 31 December 2021 amounted to HK$255.2 million (2020: HK$293.9 million), including HK$115.6 million for gaming operation employees employed by SJM Resorts for Casino Kam Pek Paradise (2020: a total of HK$137.4 million for gaming operation employees employed by SJM Resorts for Casino Kam Pek Paradise and by 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.

Profile of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Jay Chun, aged 57, is the Chairman and Managing Director of the Company, also alternate Director to Mr. Shan Shiyong, alias, Sin Sai Yung. He is the chairman of the Nomination Committee and a member of the Remuneration Committee. He is also a director of various subsidiaries of the Company. Mr. Chun is a talented entrepreneur and manager. He possesses solid background in information technology and marketing, and has 31 years of management and investment experience. He holds a master's degree in business administration from the W.P. Carey School of Business at the Arizona State University and a bachelor's degree in computer science from the Shanghai University of Science and Technology. Mr. Chun joined the Group and was appointed as the Managing Director of the Company in January 1999 and was appointed as the Chairman of the Board in July 2002.

In recognition of his exemplary contributions to the community, Mr. Chun has been a member of the Shandong Provincial Committee of the Chinese People's Political Consultative Conference of the PRC since January 2018 and a member of the Economic Development Council of the Macau government since November 2017. In addition, Mr. Chun has been actively participating in community services. Mr. Chun is presently the chairman of Ze Ai Association and honorary chairman of Ze Ai Charity Association, which are prominent non-profit making charitable organisations working to improve the education and well-being of people in Macau so as to make Macau a better society for all people and the next generation. In recognition of his outstanding achievement in the Macau's entertainment and leisure industry, in October 2019, Mr. Chun was honoured with the award of "20 Persons in 20 Years: the Most Valuable Persons of Macao's Tourism and Leisure Industry from 1999 to 2019".

The discloseable interests of Mr. Chun in the Shares and underlying Shares under the provisions of Part XV of the SFO are set out in the section headed "Directors' and Chief Executive's Interests in Securities" under the Directors' Report of this annual report.

Mr. Shan Shiyong, alias, Sin Sai Yung, aged 58, is an executive Director. He is also a director of various subsidiaries of the Company. Mr. Shan is an entrepreneur with strong business vision. After completing his studies in economics at the University of Agriculture, Shandong, he started his own business in manufacturing and exporting. Mr. Shan subsequently diversified his business interests to trading, property development and venture capital investment in the PRC. He has 34 years of dedicated business, investment and management experience at the owner level. Mr. Shan joined the Group and was appointed as an executive Director in October 1998. He was the Chairman of the Board from May 1999 to July 2002.

The discloseable interest of Mr. Shan in the Shares and underlying Shares under the provisions of Part XV of the SFO is set out in the section headed "Directors' and Chief Executive's Interests in Securities" under the Directors' Report of this annual report.

Mr. Hu Liming, aged 57, was appointed as an executive Director on 30 November 2010. Mr. Hu has 31 years of experience in corporate management, business development, engineering, production management as well as sales and marketing. Mr. Hu obtained his bachelor's degree in engineering from the Shanghai University of Science and Technology.

Mr. Hu retired by rotation and he did not offer himself for re-election at the annual general meeting of the Company held on 21 May 2021 due to his own decision to devote more time to his other business endeavours. Accordingly, he retired from office immediately after the close of the annual general meeting on 21 May 2021.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Li John Zongyang, aged 66, was appointed as an independent non-executive Director on 10 September 2007. He is the chairman of both the Audit Committee and the Remuneration Committee and a member of the Nomination Committee. Mr. Li has a rich and versatile background in the finance, business and corporate environment in the Asia-Pacific region. Mr. Li had worked for 10 years with Framlington Investment Management Company Limited, a leading investment management company in London, where he served as a senior fund manager and the head of the Asia Pacific region. Mr. Li had served as the chief executive officer for several reputable companies in Asia. Mr. Li holds a bachelor's degree in economics from Peking University and a master's degree in business administration from Middlesex University Business School in London.

Mr. Kai-Shing Tao, aged 45, was appointed as an independent non-executive Director on 13 April 2014. He is a member of the Audit Committee. Mr. Tao graduated from the Stern School of Business at New York University. He has served as a member of the board of directors of Remark Holdings, Inc. (formerly known as Remark Media, Inc.) since Remark Holdings, Inc.'s public listing in 2007 (Nasdaq: MARK). After being elected as chairman and co-chief executive officer of Remark Holdings, Inc. in October 2012, Mr. Tao assumed the position of chief executive officer in December 2012. Mr. Tao also serves as chairman and chief investment officer of Pacific Star Capital Management, L.P., a private investment group, and a director of Genesis Today, Inc., a leading health and wellness company. Prior to founding Pacific Star Capital Management, L.P., Mr. Tao was a partner at FALA Capital Group, a single-family investment office.

Ms. Tang Kiu Sam Alice, aged 40, was appointed as an independent non-executive Director on 25 April 2014. She is a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee. Ms. Tang graduated with a bachelor of science degree in e-commerce from the Brunel University in London. Ms. Tang has more than 17 years of business development experience in the gaming industry and has comprehensive knowledge in gaming operations and products, strategic planning, sales and marketing and is experienced in product development with successful launches of a series of gaming products including video slot machines, electronic table games and slot management system. Ms. Tang is currently the managing director of Winning Asia Technology Macau Limited.

SENIOR MANAGEMENT

Ms. Feng Yi, Jenny, aged 57, is the Group's Senior Vice President. Ms. Feng studied at the Shanghai University of Science and Technology. She has extensive experience in business management and promotion. She is the spouse of Mr. Jay Chun, an executive Director. Ms. Feng joined the Group in 2006.

Ms. Feng is enthusiastic about charitable and community services. She is a director of the China Next Generation Education Foundation.

Ms. Zhao Yi, aged 44, is the Group's Chief Operating Officer of the electronic gaming business. Ms. Zhao holds a bachelor's degree in marketing from the Shanghai University of Finance and Economics. She has more than 13 years of experience in the gaming industry. Ms. Zhao joined the Group in 2007.

Mr. Chan Kin Man, aged 46, is the Group's Chief Financial Officer and Company Secretary. Mr. Chan holds a bachelor's degree in business administration in accounting and finance from The University of Hong Kong. He has over 24 years of experience in accounting, auditing, financial advisory, corporate finance and corporate governance, particularly in gaming and hospitality sectors. He is a fellow of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. Mr. Chan joined the Group in February 2017.

SENIOR MANAGEMENT (Continued)

Mr. Daryn Kiely, aged 56, is the Group's Chief Technical Officer. Mr. Kiely holds a bachelor's degree of science in computer science from the University of Calgary. He has extensive experience in software development and product development. Before joining the Group, Mr. Kiely had worked for 18 years with IGT, a leading gaming equipment and system supplier, where he last served as a department head of software development and product development. Mr. Kiely joined the Group in February 2016.

Mr. Kelcey Allison, aged 49, is the Senior Vice President, Operations and Business Development of a subsidiary of the Company in the U.S. He has over 22 years of experience in businesses relating to sales and development of slot machine and gaming device product, and content strategy for the global gaming markets. Before joining the Group, Mr. Allison had held several senior executive roles in various renowned gaming corporations including serving as the chief executive officer of Aruze Gaming America, Inc. and the senior vice president of sales, marketing and service of Ainsworth Game Technology Limited. Mr. Allison joined the Group in January 2020.

The Board presents this annual report and the audited consolidated financial statements of the Company for the year ended 31 December 2021.

PRINCIPAL ACTIVITIES

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. Principal activities of each of its principal subsidiaries are set out in note 45 to the consolidated financial statements.

BUSINESS REVIEW

A review of the business of the Group for the year ended 31 December 2021 which includes an analysis of the Group's performance using financial key performance indicators and a discussion on the Group's likely future business development, a description of the principal risks and uncertainties that the Group may be facing, particulars of important events affecting the Group that have occurred since 31 December 2021, a discussion on the Group's ESG policy and performance, the Company's compliance with the relevant laws and regulations that have a significant impact on the Company and the relationships with its key stakeholders including its employees, customers and suppliers and others that have a significant impact on the Company and on which the Company's success depends, are provided in the sections headed "Chairman's Statement", "Management Discussion and Analysis", "Corporate Governance Report" and "Environmental, Social and Governance Report" of this annual report. The review forms part of the Directors' Report.

PRINCIPAL RISKS AND UNCERTAINTIES

A discussion on the principal risks and uncertainties faced by the Group are set out in the sub-section headed "Principal Risks and Uncertainties" in the Corporate Governance Report of this annual report.

RESULTS AND FINANCIAL POSITION

The results of the Group for the year ended 31 December 2021 are set out in the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income on pages 78 and 79, respectively.

The financial position of the Group as at 31 December 2021 is set out in the consolidated statement of financial position on pages 80 and 81.

SEGMENT INFORMATION

Segment information of the Group is set out in note 6 to the consolidated financial statements.

DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2021 (2020: nil).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year ended 31 December 2021 are set out in note 14 to the consolidated financial statements.

SHARE CAPITAL

There were no changes in the Company's share capital during the year ended 31 December 2021. Details of the Company's share capital are set out in note 32 to the consolidated financial statements.

RESERVES

Movements in the reserves of the Group and the Company during the year ended 31 December 2021 are set out in the consolidated statement of changes in equity on page 82 and in note 43 to the consolidated financial statements, respectively.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2021, the Company's reserves available for distribution to Shareholders amounted to approximately HK$317,051,000 comprising contributed surplus of HK$1,042,083,000, which is offset by the debit balance of accumulated losses of HK$725,032,000.

Under the Companies Act 1981 of Bermuda, subject to the provisions of the Bye-laws of the Company, the Company's contributed surplus may be applied to pay distributions or dividends to the Shareholders, provided that immediately following the date the distribution or dividend is proposed to be paid, the Company is able to pay its liabilities as they become due.

DIRECTORS AND SERVICE CONTRACTS

The members of the Board during the year ended 31 December 2021 and up to the date of this annual report were as follows:

Executive Directors:

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
Mr. Hu Liming (retired on 21 May 2021)

Independent Non-executive Directors:

Mr. Li John Zongyang
Mr. Kai-Shing Tao
Ms. Tang Kiu Sam Alice

DIRECTORS AND SERVICE CONTRACTS (Continued)

In accordance with the Bye-laws of the Company, Mr. Shan Shiyong, alias, Sin Sai Yung and Mr. Hu Liming retired by rotation at the annual general meeting held on 21 May 2021. Mr. Shang Shiyong, alias, Sin Sai Yung offered himself for re-election while Mr. Hu Liming did not offer himself for re-election. Accordingly, Mr. Shan Shiyong, alias, Sin Sai Yung was re-elected as executive Director at the annual general meeting and Mr. Hu Liming retired immediately after the close of the annual general meeting. Mr. Hu has confirmed that he has no disagreement with the Board and there is no other matter relating to his retirement that needs to be brought to the attention of the Shareholders.

In accordance with the Bye-laws of the Company, Mr. Li John Zongyang and Mr. Kai-Shing Tao will retire by rotation at the 2022 AGM, and they, being eligible, will offer themselves for re-election at the 2022 AGM. Each of Mr. Li John Zongyang and Mr. Kai-Shing Tao does not have a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

MANAGEMENT CONTRACTS

No contract for the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year ended 31 December 2021.

PERMITTED INDEMNITY PROVISION

During the year ended 31 December 2021 and up to the date of this annual report, the Company has in force the permitted indemnity provisions which are provided for in the Bye-laws of the Company and in the directors and officers liability insurance maintained for the Group in respect of potential liability and costs associated with legal proceedings that may be brought against (i) the Directors and the directors of any subsidiaries; and (ii) the directors appointed by the Company in the board of any associates or joint ventures of the Company.

TAX RELIEF

The Company is not aware of any relief on taxation available to the Shareholders by reason of their holdings of the Shares. If the Shareholders are unsure about the taxation implications of purchasing, holding, disposing of, dealing in, or exercising of any rights in relation to the Shares, they are advised to consult their professional advisers.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 31 December 2021, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register maintained by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Name of Directors	Name of company/ associated corporation	Capacity/ nature of interests	Number of Shares[(1)]	Approximate aggregate percentage of interests[(4)]
Mr. Jay Chun	The Company	Beneficial owner	124,160	0.01%
	The Company	Interest of controlled corporation	630,836,720[(2)]	59.95%
			630,960,880	59.96%
Mr. Shan Shiyong, alias, Sin Sai Yung	The Company	Interest of controlled corporation	26,097,580[(3)]	2.48%

Notes:

(1) All interests in Shares stated above represent long positions.

(2) These Shares were held by August Profit Investments Limited, a company which is wholly-owned by Mr. Jay Chun, an executive Director.

(3) These Shares were held by Best Top Offshore Limited, a company which is wholly-owned by Mr. Shan Shiyong, alias, Sin Sai Yung, an executive Director.

(4) The percentage represents the number of Shares interested divided by the total number of issued Shares as at 31 December 2021.

Save as disclosed above, as at 31 December 2021, none of the Directors and the chief executive of the Company was interested or had any short position in any Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 31 December 2021, according to the register of interests kept by the Company under section 336 of the SFO, and so far as was known to the Directors or chief executive of the Company, the following persons or corporations, other than Directors or chief executive of the Company, had an interest or short positions in the Shares and underlying Shares of the Company, which would require to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at a general meeting of the Company:

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

Notes:

(1) All interests in Shares stated above represent long positions.

(2) August Profit Investments Limited is wholly-owned by Mr. Jay Chun, an executive Director.

(3) To the best of the Directors' knowledge, FIL Limited is controlled (as defined under the SFO) by Pandanus Partners L.P., which in turn is controlled (as defined under the SFO) by Pandanus Associates Inc. Those 77,504,000 Shares represent the same interests and are therefore duplicated among them.

(4) The percentage represents the number of Shares interested divided by the total number of issued Shares as at 31 December 2021.

Save as disclosed above, as at 31 December 2021, the Company had not been notified of any person or corporation who was interested or had a short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company under section 336 of the SFO.

SHARE OPTION SCHEME

The Company adopted the Share Option Scheme on 25 May 2017 for the purposes of providing incentives or rewards to the eligible participants for the contribution to the success of the Group's operations. Eligible participants of the Share Option Scheme include, among others, the Directors (including independent non-executive Directors), full-time or part-time employees, executives or officers of the Group, advisors, consultants, suppliers, customers and agents. The Share Option Scheme will be valid and effective for a period of 10 years from the date of adoption of the Share Option Scheme. Accordingly, the remaining life of the Share Option Scheme is approximately 5 years.

The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme must not exceed 30% of the total number of Shares in issue from time to time. The maximum number of Shares issued and to be issued upon exercise of the options granted and to be granted to each eligible participant in any 12-month period must not exceed 1% of the Company's issued share capital from time to time. Any grant or further grant of share options in excess of this limit is subject to Shareholders' approval in a general meeting of the Company.

SHARE OPTION SCHEME (Continued)

Each grant of share options to a Director, chief executive or substantial Shareholder of the Company, or to any of their associates, is subject to approval in advance by the independent non-executive Directors. In addition, any grant of share options to a substantial Shareholder or an independent non-executive Director, or to any of their associates, resulting in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in a 12-month period up to and including the date of such grant in excess of 0.1% of the Shares in issue and with an aggregate value (based on the closing price of the Shares at the date of the grant) in excess of HK$5 million, is subject to Shareholders' approval in advance in a general meeting of the Company.

The period during which an option may be exercised is determined by the Board in its absolute discretion, save that such period shall not be longer than 10 years from the date of grant. The minimum period for which an option must be held before it can be exercised is determined by the Board upon the grant of an option.

An option shall be deemed to have been granted and accepted by the grantee and to have taken effect when the duplicate offer document constituting acceptance of the option is duly signed by the grantee, together with a remittance in favour of the Company of HK$1.00 as consideration for the grant of the option, is received by the Company within 21 days after the date of offer.

The exercise price of share options is determined by the Directors, but shall not be less than the highest of (i) the nominal value of the Shares; (ii) the closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange on the date of offer of the share options; and (iii) the average closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange for the five business days immediately preceding the date of offer.

No options were granted by the Company, exercised, cancelled or lapsed under the Share Option Scheme and no equity-settled employees' benefit (including Directors' emoluments) was recognised during the year ended 31 December 2021. There was no share option outstanding under the Share Option Scheme as at 1 January 2021, during the year ended 31 December 2021 and as at 31 December 2021.

As at the date of this annual report, the total number of Shares available for issue under the Share Option Scheme is 105,218,531 Shares, representing 10% of the Shares in issue as at the date of adoption of the Share Option Scheme, that is 25 May 2017, and as at the date of this annual report.

SHARE AWARD SCHEME

The Company adopted the Share Award Scheme on 11 November 2019 for the purposes of, among others, providing incentives and/or rewards to the eligible participants for the contribution to the development and success of the Group. Eligible participants of the Share Award Scheme include, among others, the Directors (including executive Directors, non-executive Directors and independent non-executive Directors), the directors of the Company's subsidiaries, the employees of the Group or any other persons as determined by the Board whom the Board considers, in its absolute discretion, have contributed or will contribute to the Group. The Share Award Scheme shall be valid and effective for a term of 10 years commencing on the date of adoption of the Share Award Scheme.

SHARE AWARD SCHEME (Continued)

Under the Share Award Scheme, the Board shall not make any further award which will result in the aggregate number of Shares underlying all awards granted by the Board under the Share Award Scheme exceeding 10% of the total number of issued Shares as at the date of adoption of the Share Award Scheme. Except as otherwise approved by the Board, the maximum aggregate number of Shares underlying the awards that may be granted to any grantee under the Share Award Scheme shall not exceed 1% of the total number of issued Shares as at the date of adoption of the Share Award Scheme. Any grant of an award to any Director, chief executive or substantial shareholder (as defined in the Listing Rules) of the Company, or any of their respective associates (as defined in the Listing Rules), shall be subject to the prior approval of the independent non-executive Directors (excluding any independent non-executive Director who is the proposed grantee of the award in question) and all grants to connected persons (as defined in the Listing Rules) shall be subject to compliance with the requirements of the Listing Rules.

The Share Award Scheme shall terminate on the earlier of: (i) the tenth anniversary date of the adoption date of the Share Award Scheme; and (ii) such date of early termination as determined by a resolution of the Board, provided that such termination shall not affect any subsisting rights of any grantee under the Share Award Scheme. In the event of termination, no further awards may be offered or granted but the terms of the Share Award Scheme shall remain in full force and effect in respect of awards which are granted during the term of the Share Award Scheme and which remain unvested immediately prior to the termination of the Share Award Scheme.

The Share Award Scheme does not constitute a share option scheme or an arrangement analogous to a share option scheme for the purpose of Chapter 17 of the Listing Rules and therefore no Shareholders’ approval is required for the adoption of the Share Award Scheme. Further details of the Share Award Scheme are set out in the Company’s announcement dated 11 November 2019.

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

No awards were granted by the Company under the Share Award Scheme since its adoption and up to 31 December 2021. Accordingly, during the year ended 31 December 2021, no Shares were purchased by the Trustee, and no awards were vested under the Share Award Scheme.

DIRECTORS’ RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from the Share Option Scheme and Share Award Scheme disclosed under the sections headed “Share Option Scheme” and “Share Award Scheme”, respectively, and the contracts disclosed under the section headed “Directors’ Interests in Transactions, Arrangements and Contracts of Significance” in this Directors’ Report, at no time during the year ended and as at 31 December 2021 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of Shares in, or debentures of, the Company or any other body corporate. In addition, none of the Directors, or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company or had exercised any such right during the year ended 31 December 2021.

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 2021.

ISSUE FOR CASH OF EQUITY SECURITIES

For the year ended 31 December 2021, the Company had not issued any of the Company's securities for cash (including securities convertible into equity securities).

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Bye-laws of the Company, or the laws of Bermuda, which would oblige the Company to offer new Shares on a pro-rata basis to the existing Shareholders.

CONVERTIBLE SECURITIES, OPTIONS, WARRANTS, OR SIMILAR RIGHTS

For the year 31 December 2021, no convertible securities, options, warrants or similar rights were issued or granted by the Company or any of its subsidiaries or were exercised, and no such convertible securities, options, warrants or similar rights remained outstanding.

KEY RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group is committed to operating in a sustainable manner while balancing the interests of its various stakeholders including employees, customers and suppliers.

The Group's employees are invaluable assets of the Group and the Group is dedicated to managing human capital. Remuneration package the Group's offer to its staff includes basic salaries, allowances, discretionary bonuses, share options, share awards, retirement benefits, subsidised medical care and pension funds. The management of the Group reviews the performance of the Group's employees on a periodical basis in order to determine salary adjustments and promotions and keep the Group's remuneration package competitive. The Group also provides ongoing training programmes to its employees and subsidies to its staff for recognised courses. The Directors believe that these measures could also serve as means to retain quality staff.

The Group has been providing casino management services at Casino Kam Pek Paradise to SJM Resorts since 2007. Since then, the Group has provided efficient management services as demonstrated by the outperformance of Casino Kam Pek Paradise than many other satellite casinos. The Group has successfully built a solid and reliable long-term business relationship with SJM Resorts and has managed to offer an affordable and exhilarating gaming experience to the patrons in Casino Kam Pek Paradise. In addition, the Group has also maintained strong and long-term business relationships with some loyal customers for purchasing or leasing electronic gaming equipment and systems from the Group in Macau and overseas. The Directors believe that the Group's strong and long-term relationships with these key customers provide it with a competitive advantage to secure a steady flow of repeat business and revenue.

KEY RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS (Continued)

The Group has established close and long-term business relationships with suppliers in different areas of specialty, including but not limited to SJM Resorts (in which the Group reimburses SJM Resorts for its supply of the labours and other essential equipment in Casino Kam Pek Paradise), as well as other suppliers in respect of electronic gaming equipment and systems including cabinets, parts and accessories. Some of them are reputable suppliers in the global gaming industry. The Directors believe that the Group's established relationships with them have greatly enhanced and will continue to enhance the Group's overall service to its customers.

In view of the above, there is no circumstance or any event which may have a significant impact on the Group's business and on which the Group's success depends as at the date of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2021, the aggregate amount of revenue attributable to the Group's five largest customers accounted for approximately 97.3% of the Group's total revenue and the revenue attributable to the Group's largest customer represented approximately 90.3% of the Group's total revenue.

For the year ended 31 December 2021, the aggregate amount of cost of sales and services attributable to the Group's five largest suppliers accounted for approximately 71.7% of the Group's total cost of sales and services and the cost of sales and services attributable to the Group's largest supplier represented approximately 54.2% of the Group's total cost of sales and services.

None of the Directors, their associates or any Shareholders (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) has any interest in any of the Group's five largest customers or suppliers.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group recognises the importance of compliance with legal and regulatory requirements. Internal compliance and risk management policies and procedures are in place to ensure the Group's adherence and compliance with all significant legal and regulatory requirements in the territories in which the Group has business operations. For details, please refer to the Corporate Governance Report of this annual report. For the year ended 31 December 2021 and up to the date of this annual report, to the best knowledge of the Directors, the Group has complied in all material respects with the applicable laws and regulations of the territories in which the Group has business operations, which have a significant impact on the business and operations of the Group. The Group has also obtained all licenses, approvals and permits from the relevant regulatory authorities that are material for its business operations in the territories in which the Group has business operations.

UPDATES TO A MAJOR DISPOSAL

On 25 April 2016, the Group entered into a strategic agreement (the "Agreement") with IGT, pursuant to which the Group assigned and licensed certain patents and associated technology to IGT in return for a non-refundable upfront payment and a 15-year earn-out payment for every related ETG machine deployed in the global market (other than Macau). The transaction constituted a major transaction of the Company.

According to the statements provided by IGT to the Group, earn-out payments entitled by the Group as a result of such placement of the licensed products amounted to US$1,563,000 (equivalent to approximately HK$12,191,000) up to 31 December 2021. Such earn-out payments were calculated in accordance with the terms of the Agreement, which state that such payments shall be calculated based on (i) the number of licensed products placed times a flat fee per unit for the licensed products placed by IGT through sale; and (ii) the number of licensed products placed times a flat fee per unit per day for the licensed products placed by IGT through leasing.

Subsequent to the signing of the Agreement, a dispute arose between the Group and IGT as to whether the Group has to provide certain technology (not being possessed by the Group) to IGT that may be required for IGT to make and place the licensed products under the Agreement (the "Dispute"). On 17 October 2017, upon commercial negotiation of the parties with the view to resolving the Dispute, the Group agreed in writing with IGT that it shall pay to IGT a sum of US$800,000 (equivalent to approximately HK$6,240,000) (the "Settlement Amount") for complete resolution of the Dispute, which was determined based on the sharing by the Group of the estimated costs for the required technology. The parties further agreed that the Settlement Amount shall first set-off against any earn-out payments owed by IGT to the Group under the Agreement.

Further details of the transaction and the Dispute/Settlement Amount were disclosed in the Company's announcements dated 26 April 2016 and 14 December 2017, and the Company's circular dated 21 June 2016.

CONNECTED TRANSACTIONS

Continuing Connected Transactions for Year Ended 31 December 2021

Renewed Supply Framework Agreement 2021

On 10 December 2020, the Company entered into a renewed supply framework agreement (the "Renewed Supply Framework Agreement 2021") with Mr. Linyi Feng ("Mr. Feng") for the supply of slot machines and other electronic gaming machines and equipment, the components, accessories and parts thereof, the additions thereto, and other related products, etc. (the "Products") by way of sale and/or leasing to Mr. Feng and the companies controlled by him (the "Customers") for a term of one year commencing from 1 January 2021 and ending on 31 December 2021. According to the terms of the Renewed Supply Framework Agreement 2021, (i) when supplying the Products to the Customers by way of sale, the Products shall be priced at such level that represents an 8% to 10% discount from the Group's listed price of the same Products, which were, in turn, determined with reference to the then prevailing market price of corresponding Products; and (ii) when supplying the Products to the Customers by way of leasing, the rental fees of the Products to be paid by the Customers to the Group shall be determined at such level that represents an 8% to 10% discount from the Group's listed rental fees of the same Products, which were, in turn, determined with reference to the then prevailing market rental rates.

CONNECTED TRANSACTIONS (Continued)

Continuing Connected Transactions for Year Ended 31 December 2021 (Continued)

Renewed Supply Framework Agreement 2021 (Continued)

Mr. Feng is the brother-in-law of Mr. Jay Chun, the controlling Shareholder, the Chairman and the Managing Director of the Company, and thus a deemed connected person of the Company within the meaning of the Listing Rules and therefore, the transactions contemplated under the Renewed Supply Framework Agreement 2021 constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. Pursuant to applicable percentage ratios (as defined under the Listing Rules) in respect of the annual transaction amount under the Renewed Supply Framework Agreement 2021, the transactions contemplated under the Renewed Supply Framework Agreement 2021 are subject to the reporting, announcement and annual review requirements but exempt from the independent Shareholders' approval requirement under the Listing Rules.

Further details of the Renewed Supply Framework Agreement 2021 are set out in the Company's announcement dated 10 December 2020. The Renewed Supply Framework Agreement 2021 was expired on 31 December 2021.

The annual cap under the Renewed Supply Framework Agreement 2021 for the year ended 31 December 2021 was HK$35,000,000. The amount received/receivable by the Group from companies controlled by Mr. Feng under the Renewed Supply Framework Agreement 2021 for the year ended 31 December 2021 was HK$10,927,000.

The Company has complied with the disclosure and other requirements in accordance with Chapter 14A of the Listing Rules in respect of the above non-exempt continuing connected transactions.

Pursuant to Rule 14A.55 of the Listing Rules, the independent non-executive Directors have reviewed the continuing connected transactions for the year ended 31 December 2021 as disclosed above and have confirmed that the transactions have been entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) according to the agreement governing them on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Pursuant to Rule 14A.56 of the Listing Rules, the Board engaged the independent auditor of the Company to report on the continuing connected transactions of the Group. The independent auditor of the Company was engaged in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The independent auditor of the Company has reported to the Board and issued an unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed by the Group above in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange in accordance with Rule 14A.57 of the Listing Rules. The continuing connected transactions above were also reported as the related party transactions in accordance with the Hong Kong Financial Reporting Standards in note 41 to the consolidated financial statements for the year ended 31 December 2021.

CONNECTED TRANSACTIONS (Continued)

Continuing Connected Transactions for Year Ending 31 December 2022

Renewed Supply Framework Agreement 2022

On 14 December 2021, the Company entered into a renewed supply framework agreement (the "Renewed Supply Framework Agreement 2022") with Mr. Feng for the supply of slot machines and other electronic gaming machines, devices, equipment and systems, and the hardware, components, accessories, parts and materials thereof, the additions thereto, and other related products, etc. by way of sale and/or leasing to Mr. Feng and the companies controlled by him for a term of one year commencing from 1 January 2022 and ending on 31 December 2022. Pursuant to the Renewed Supply Framework Agreement 2022, the total transaction amount for the year ending 31 December 2022 shall not be more than HK$17,000,000.

Mr. Feng is the brother-in-law of Mr. Jay Chun, the controlling Shareholder, the Chairman and the Managing Director of the Company, and thus a deemed connected person of the Company within the meaning of the Listing Rules and therefore, the transactions contemplated under the Renewed Supply Framework Agreement 2022 constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules for the year ending 31 December 2022.

As each of the applicable percentage ratios (as defined under the Listing Rules) in respect of the annual transaction amount under the Renewed Supply Framework Agreement 2022 exceeds 0.1% but is less than 5%, the Renewed Supply Framework Agreement 2022 is subject to the reporting, announcement and annual review requirements but exempt from the independent Shareholders' approval requirement under the Listing Rules.

Further details of the Renewed Supply Framework Agreement 2022 are set out in the Company's announcement dated 14 December 2021.

The Directors, including the independent non-executive Directors, have reviewed the terms of Renewed Supply Framework Agreement 2022 and have confirmed that (i) the Renewed Supply Framework Agreement 2022 was entered into in the ordinary and usual course of business of the Group and on normal commercial terms or better; and (ii) the terms and conditions of the Renewed Supply Framework Agreement 2022, including the annual cap, are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

Save as disclosed under the section headed "Connected Transactions" in this Directors' Report and in notes 22 and 41 to the consolidated financial statements, no transactions, arrangement and contracts of significance to which the Company or any of its subsidiaries was a party and in which any Director (or any entity connected with a Director) had a material interest, whether directly and indirectly, subsisted at the end of the year or at any time during the year ended 31 December 2021.

CONTROLLING SHAREHOLDERS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

Save as disclosed under the section headed "Connected Transactions" in this Directors' Report and in notes 22 and 41 to the consolidated financial statements, no contracts of significance (including contracts of significance for the provision of services) between the Company (or any of its subsidiaries) and any controlling Shareholder (or any of its subsidiaries) subsisted at the end of the year or at any time during the year ended 31 December 2021.

EQUITY-LINKED AGREEMENTS

Save as the Share Option Scheme and the Share Award Scheme disclosed above, no equity-linked agreements were entered into by the Company during the year or subsisted at the end of the year ended 31 December 2021.

EMOLUMENT POLICY

The emoluments of the executive Directors were decided by the Board as recommended by the Remuneration Committee having regard to a written emolument policy (which ensures a clear link to business strategy and a close alignment with the Shareholders' interest and current best practice), the Group's operating results, the individual performance of the executive Directors and the comparable market statistics. The independent non-executive Directors' fees are in line with market practice. No individual Director should determine his/her own remuneration.

Emolument package includes, as the case may be, fees, basic salaries, housing allowances, contribution to pension schemes, discretionary bonus relating to the financial results of the Group and individual performance, ad hoc rewards, share options, share awards and other competitive fringe benefits such as medical and life insurances. Details of the emoluments of the Directors and the five highest paid individuals of the Group for the year ended 31 December 2021 are set out in note 10 to the consolidated financial statements.

CORPORATE GOVERNANCE

In the opinion of the Board, the Company has complied with the code provisions as set out in the CG Code throughout the year ended 31 December 2021 except for certain deviations disclosed under the sections headed "Chairman and Managing Director" and "Board of Directors — (b) Appointment and Re-election of Directors" in the Corporate Governance Report of this annual report. For further information on the Company's corporate governance practices and details of the deviations, please refer to the Corporate Governance Report on pages 37 to 52.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE POLICIES AND PERFORMANCE

The Group is aware of the importance of environmental-friendly and sustainable development. The Group strives to minimise wastes and consumption of resources such as electricity and water. The Group recognises this to be a continuous process of monitoring and improvement, and the Group seeks to look for environmental-friendly practice in the Group's operations whenever possible. For further details, please refer to the Environmental, Social and Governance Report on pages 53 to 72.

UPDATE ON DIRECTORS' INFORMATION

Biographical details of each of the Directors are set out in the section headed "Profile of Directors and Senior Management" of this annual report.

Mr. Hu Liming retired by rotation and he did not offer himself for re-election at the annual general meeting of the Company held on 21 May 2021 due to his own decision to devote more time to his other business endeavours and he retired from office immediately after the close of the annual general meeting.

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

EVENTS AFTER THE REPORTING PERIOD

Subsequent to 31 December 2021, the Group entered into a deed of loan with Mr. Jay Chun, Chairman and Managing Director of the Company, pursuant to which Mr. Jay Chun agrees to provide a loan facility of HK$60 million to the Group to strengthen the liquidity of the Group. The loan is conducted on normal commercial terms and is unsecured, carries fixed interest at prevailing market rate and with maturity more than twelve months. Up to the date of this annual report, the facility of HK$30 million has been drawn down by the Group.

Save as disclosed, there is no important event after 31 December 2021 which is required to be disclosed.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this annual report, there is sufficient public float of not less than 25% of the Company's issued Shares as required under the Listing Rules.

FINANCIAL SUMMARY

A summary of the audited consolidated results and assets and liabilities of the Group for the last five financial years is set out on page 162 of this annual report.

INDEPENDENT AUDITOR

The consolidated financial statements of the Company for the year ended 31 December 2021 were audited by Deloitte Touche Tohmatsu. A resolution will be proposed at the 2022 AGM to re-appoint Deloitte Touche Tohmatsu as the independent auditor of the Company.

On behalf of the Board

Jay Chun
Chairman and Managing Director

24 March 2022

The Board believes that corporate governance is essential to the success of the Company and has adopted various measures to ensure that a high standard of corporate governance is maintained to safeguard the interests of the Shareholders.

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 2021 except for certain deviations disclosed herein.

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 (including the existing Directors and the former Director who had been a Director during the year ended 31 December 2021), all Directors have confirmed that they had complied with the requirements set out in the Model Code during the year ended 31 December 2021.

BOARD OF DIRECTORS

(a) Board Composition

Given the nature and business objectives of the Company, the Board has a balance of skill and experience, and board diversity appropriate for the requirements of the business of the Company. The list of Directors, their respective biographical details and the relationships among the members of the Board and the senior management of the Company (if any) are set out under the section headed "Profile of Directors and Senior Management" of this annual report.

(b) Appointment and Re-election of Directors

The Bye-laws of the Company contain provisions on the procedures of appointment and re-election of Directors.

In accordance with code provision A.4.1 of the CG Code (which has been deleted since 1 January 2022), non-executives 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.

BOARD OF DIRECTORS (Continued)

(c) Directors' Attendance Records

During the year ended 31 December 2021, four Board meetings and an annual general meeting were held. The attendance of each member of the Board at these meetings are as follows:

	Number of attendance/meetings	
Directors	**Board meetings**	**Annual general meeting held on 21 May 2021**
Executive Directors:		
Mr. Jay Chun *(Chairman and Managing Director)*	4/4	1/1
Mr. Shan Shiyong, alias, Sin Sai Yung	0/4	0/1
Mr. Hu Liming (retired on 21 May 2021)	0/1	0/1
Independent Non-executive Directors:		
Mr. Li John Zongyang	3/4	0/1
Mr. Kai-Shing Tao	0/4	0/1
Ms. Tang Kiu Sam Alice	4/4	1/1

(d) Responsibilities and Delegations

The Board is responsible for the leadership, management and control of the Group, overseeing the Group's businesses, strategic decisions and performance, evaluating the performance of the Group and supervising the management. All Directors take decisions objectively in the interests of the Company.

In addition, the Board reserves the authority to make final decisions for all major matters of the Company, including approving and monitoring of all policy matters, overall strategies and budgets, risk management and internal control systems, adoption of dividend policy, dividend payout (if any), adoption of nomination policy, preparation and release of financial information, material transaction (in particular those may involve a conflict of interests), appointment of Directors and other significant financial and operational matters.

All Directors have timely access to all relevant information as well as the advice and services of the company secretary and the senior management of the Company, with a view to ensuring compliance with Board procedures and all applicable laws and regulations. Any Director may request independent professional advice in appropriate circumstances at the Company's expense, upon reasonable request made to the Board.

In order to enhance efficiency, the Board has delegated the day-to-day responsibilities, operations and decisions to the executive Directors and the senior management of the Company who perform their duties under the leadership of the Managing Director.

Approval has to be obtained from the Board prior to the entry into of any significant transactions by any of the Directors and/or the senior management of the Company on behalf of the Group. The Board has the full support of the executive Directors and the senior management of the Company to discharge its responsibilities and operations.

BOARD OF DIRECTORS (Continued)

(e) Corporate Governance Functions

The Board is responsible for performing the corporate governance duties set out in code provision D.3.1 (updated reference since 1 January 2022: A.2.1) of the CG Code.

During the year ended 31 December 2021, the Board had reviewed and monitored the Company's corporate governance practices, training and continuous professional development of Directors and the senior management of the Company, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance with the Model Code, the CG Code and disclosure in this Corporate Governance Report (including the nomination policy, dividend policy, board diversity policy and effectiveness of the risk management and internal control systems) from time to time.

(f) Environmental, Social and Governance Functions

The Board has overall responsibility for the Group's strategy and reporting in connection with ESG. The Environmental, Health and Safety team (the "EHS Team"), reporting to the Board, is formed for the purpose of ESG evaluation and reporting with members who own ESG knowledge to conduct internal and external materiality assessments and skill in preparation of ESG reports. The EHS Team members will, if they think fit, meet the employees from different departments to drive implementation, review their operations in order to identify relevant ESG issues and assess their materiality based on their impact to the Group's businesses as well as the stakeholders.

DIVIDEND POLICY

In December 2018, the Board adopted a dividend policy of the Company. Details of which are as follows:

The Board will meet semi-annually to consider and declare interim/final dividends, if any. The Board may also declare special dividends from time to time in addition to the interim/final dividends.

On consideration of any dividend, the Board will take into account the Company's distributable reserves, the Group's performance, liquidity position, expected working capital requirements, future prospects and other factors that the Board deems relevant, provided that payment of proposed dividend will not affect operations of the Group. The declaration and payment of dividend is subject to any applicable restrictions under the laws of Bermuda, the Bye-laws of the Company, the Listing Rules and any applicable laws, rules and regulations.

The Board will review the dividend policy from time to time and may exercise at its sole and absolute discretion to update, amend and/or modify the policy at any time as it deems fit and necessary.

There is no assurance that any particular amount of dividend will be paid for any given period.

NOMINATION POLICY

In December 2018, the Board adopted a nomination policy of the Company (the "Nomination Policy") which sets out the objectives, selection criteria and nomination procedures for the appointment and re-appointment of Directors. The Nomination Policy specifies that the Company will nominate suitable candidates to the Board for it to consider and make recommendations to the Shareholders for election of Directors at general meetings, appointment of Directors to fill casual vacancies, Board succession planning considerations and periodical reviews of the plan.

CHAIRMAN AND MANAGING DIRECTOR

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 (updated reference since 1 January 2022: C.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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Board has met the requirements of Rules 3.10 and 3.10A of the Listing Rules of having a minimum of three independent non-executive Directors with at least one of them possessing appropriate professional qualifications or accounting or related financial management expertise and independent non-executive directors representing at least one-third of the Board.

The Company has received annual confirmation from each independent non-executive Director of his/her independence pursuant to the requirements of Rule 3.13 of the Listing Rules. The Company considers all independent non-executive Directors to be independent in light of the independence guidelines set out in the Listing Rules.

In particular, Mr. Li John Zongyang has served on the Board for more than 9 years. He is not involved in the daily management of the Company or in any relationships or circumstances which would interfere with the exercise of his independent judgment. He continues to demonstrate his ability to provide an independent, balanced and objective view to the affairs of the Company. The Company is satisfied that he remains independent notwithstanding the length of his service.

DIRECTORS' TRAINING AND PROFESSIONAL DEVELOPMENT

Each newly appointed Director will receive induction on the first occasion of his/her appointment so as to ensure that he/she has appropriate understanding of the business and operations of the Group and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules, the CG Code and other regulatory requirements.

Directors are continually updated on the latest development and changes in the Listing Rules, the CG Code and other regulatory requirements in order to ensure the compliance with the same by the Directors.

During the year ended 31 December 2021, the Directors complied with code provision A.6.5 (updated reference since 1 January 2022: C.1.4) of the CG Code and all Directors (including Mr. Jay Chun, Mr. Shan Shiyong, alias Sin Sai Yung, Mr. Hu Liming (retired on 21 May 2021), Mr. Li John Zongyang, Mr. Kai-Shing Tao and Ms. Tang Kiu Sam Alice) received regular briefings, updates, continuous professional development and reading materials on the Group's business/operations/regulatory/corporate governance matters which are relevant to their duties and responsibilities. Directors are also encouraged to participate in professional development courses and seminars to develop and refresh their knowledge and skills. All Directors have provided a record of the training they received during the year ended 31 December 2021 to the Company.

COMMITTEES

The Board has established three committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee to assist the Board in overseeing particular aspects of the Company's affairs. All the Board committees should report to the Board on their decisions and recommendations made. The committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

All Board committees of the Company have been established with written terms of reference which are posted on the websites of the Stock Exchange and the Company.

Audit Committee

The Company has met the requirements of Rule 3.21 of the Listing Rules. The Audit Committee comprises three independent non-executive Directors. The chairman of the Audit Committee, Mr. Li John Zongyang, possesses relevant financial management expertise and meets the requirements of Rule 3.21 of the Listing Rules. None of the members of the Audit Committee is a former partner of the independent auditor of the Company.

The Audit Committee is responsible for reviewing the financial information and reports of the Company, considering any significant or unusual items raised by the financial officers of the Company or the independent auditor of the Company before submission to the Board, reviewing the effectiveness of the financial reporting system, risk management and internal control systems of the Group and maintaining an appropriate relationship with the independent auditor of the Company.

During the year ended 31 December 2021, the Audit Committee held two meetings. Members of the Audit Committee and the attendance of each member are as follows:

Directors	Number of attendance/ meetings
Independent Non-executive Directors:	
Mr. Li John Zongyang *(Chairman)*	2/2
Mr. Kai-Shing Tao	0/2
Ms. Tang Kiu Sam Alice	2/2

During the year ended 31 December 2021, the Audit Committee had performed the following duties:

— reviewed with the management and the independent auditor of the Company the audited consolidated financial statements, the annual results announcement and the annual report of the Group for the year ended 31 December 2020, the related accounting principles and practices adopted by the Group with recommendations to the Board for approval, and the relevant audit findings;

— reviewed the continuing connected transactions of the Group carried out during the year ended 31 December 2020;

— recommended the re-appointment of Deloitte Touche Tohmatsu as the independent auditor of the Company in the annual general meeting held on 21 May 2021;

COMMITTEES (Continued)

Audit Committee (Continued)

— reviewed with the management of the Company the unaudited consolidated financial statements, the interim results announcement and the interim report of the Group for the six months ended 30 June 2021 and the related accounting principles and practices adopted by the Group with recommendations to the Board for approval;

— reviewed the nature and scope of the audit of the consolidated financial statements of the Group for the year ended 31 December 2021, the reporting obligations and the work plan of the independent auditor of the Company;

— reviewed and discussed the financial reporting system, risk management and internal control systems of the Group with the management of the Company to ensure that the management of the Company has performed its duty to have effective systems. The review covered all material controls, including financial, operational and compliance controls, and the discussion with the management of the Company regarding adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting and financial reporting function, etc.; and

— reviewed the compliance with accounting standards, the Listing Rules, legal and statutory requirements in relation to financial reporting.

During the year ended 31 December 2021, the Audit Committee met two times with the independent auditor of the Company. The Company has met the requirement of code provision C.3.3(e)(i) (updated reference since 1 January 2022: D.3.3(e)(i)) of the CG Code, stating that the Audit Committee must meet, at least twice a year, with the independent auditor of the Company.

Remuneration Committee

The Company has met the requirements of Rule 3.25 of the Listing Rules. The Remuneration Committee comprises a majority of independent non-executive Directors and is chaired by Mr. Li John Zongyang, an independent non-executive Director.

The Remuneration Committee is responsible for making recommendations to the Board on, among other things, the Company's policy and structure for the remuneration of all the Directors and the senior management of the Company (by making reference to market rates, their duties and responsibilities within the Group and their experience) and the remuneration of the independent non-executive Directors. The Remuneration Committee is delegated by the Board with the responsibility to determine on behalf of the Board the remuneration of the executive Directors and the senior management of the Company.

During the year ended 31 December 2021, the Remuneration Committee held one meeting. Members of the Remuneration Committee and the attendance of each member are as follows:

Directors	Number of attendance/meeting
Executive Director:	
Mr. Jay Chun	1/1
Independent Non-executive Directors:	
Mr. Li John Zongyang *(Chairman)*	1/1
Ms. Tang Kiu Sam Alice	1/1

COMMITTEES (Continued)

Remuneration Committee (Continued)

During the year ended 31 December 2021, the Remuneration Committee had performed the following duties:

— assessed the performance of the executive Directors and the senior management of the Company; and

— reviewed and determined the remuneration of the executive Directors and the senior management of the Company and made recommendation to the Board on the remuneration of the independent non-executive Directors.

Pursuant to code provision B.1.5 (updated reference since 1 January 2022: E.1.5) of the CG Code, the annual remunerations of the senior management of the Company (including those set out in the section headed "Profile of Directors and Senior Management" of this annual report) by bands for the year ended 31 December 2021 were as follows:

	Number of individuals
HK$1,000,001 to HK$1,500,000	2
HK$1,500,001 to HK$2,000,000	1
HK$2,000,001 to HK$2,500,000	1
HK$3,500,001 to HK$4,000,000	1

Details of the remuneration of each of the Directors for the year ended 31 December 2021 are set out in note 10 to the consolidated financial statements.

Nomination Committee

The Company has met the requirements of code provision A.5.1 of the CG Code (which has been deleted since 1 January 2022). The Nomination Committee comprises a majority of independent non-executive Directors and is chaired by Mr. Jay Chun, the Chairman and the Managing Director of the Company.

The Nomination Committee is responsible for determining the policy for the nomination of Directors, reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board regularly and making recommendations to the Board on any proposed changes to complement the Company's corporate strategy and the board diversity policy. Its duties include identification and nomination of candidates to fill casual vacancies of Directors, and recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors, in particular, the Chairman and the chief executive of the Company.

The Board has adopted a board diversity policy of the Company (the "Board Diversity Policy") setting out the approach to diversity of members of the Board. The Company recognises and embraces the benefits of diversity of Board members. It endeavours to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. All appointments of Board members will continue to be made on a merit basis with due regard for the benefits of diversity of the Board members. Selection of candidates will be based on a range of diversity perspectives/measurable goals, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge. The ultimate decision will be made upon the merits and contribution that the selected candidates will bring to the Board. The Board considered that the aforementioned measurable goals have been achieved satisfactorily during the year ended 31 December 2021, and the Board will continue to review the relevant goals from time to time to ensure its progress for achieving such goals.

COMMITTEES (Continued)

Nomination Committee (Continued)

The Nomination Committee also conducts an annual review of the independence of independent non-executive Directors with consideration of those factors set forth in Rule 3.13 of the Listing Rules before confirming their independence status to the Board. The relevant independent non-executive Directors will abstain from participating in the assessments of their own independence. Particular consideration will be given in assessing the independence of those independent non-executive Directors who have been serving on the Board for more than 9 years and seeking re-election in an annual general meeting. Reasons will be given in the circular for the annual general meeting to explain why the Board believes those retiring independent non-executive Directors, if any, are still independent and should be re-elected.

During the year ended 31 December 2021, the Nomination Committee held one meeting. Members of the Nomination Committee and the attendance of each member are as follows:

Directors	Number of attendance/meeting
Executive Director:	
Mr. Jay Chun *(Chairman)*	1/1
Independent Non-executive Directors:	
Mr. Li John Zongyang	1/1
Ms. Tang Kiu Sam Alice	1/1

During the year ended 31 December 2021, the Nomination Committee had performed the following duties:

— reviewed the structure, size, composition and diversity of the Board to ensure that it has a balance of expertise, skills, experience and diversity of perspective appropriate to the requirements for the business of the Company;

— recommended the re-election of the retiring Director at the annual general meeting of the Company held on 21 May 2021; and

— assessed the independence of each the independent non-executive Director.

The nomination procedures and the process and criteria adopted by the Nomination Committee to select and recommend for re-appointment of Directors during the year ended 31 December 2021 were as follows:

(1) The Nomination Committee determined the list of retiring Directors and considered each retiring Director, having due regard to the Nomination Policy, the Board Diversity Policy and the Listing Rules, and assessed the independence of each independent non-executive Director;

(2) The Nomination Committee made recommendations to the Board;

(3) The Board considered each retiring Director recommended by the Nomination Committee, having due regard to the Nomination Policy, the Board Diversity Policy, the Listing Rules, and the merits and contribution that the Director will bring to the Board.;

(4) The Board recommended the retiring Director to stand for re-election at the annual general meeting in accordance with the Bye-laws of the Company; and

(5) The Shareholders approved the re-appointment of retiring Director offering re-appointment at the annual general meeting held on 21 May 2021.

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 Group for the year ended 31 December 2021 and the related accounting principles and practices adopted by the Group.

INDEPENDENT AUDITOR AND ITS REMUNERATION

The statement of the independent auditor of the Company about their reporting responsibilities for the Company's consolidated financial statements for the year ended 31 December 2021 is set out in the "Independent Auditor's Report" of this annual report.

The remuneration paid/payable to the independent auditor of the Company for the year ended 31 December 2021 is as follows:

Services rendered for the Group	**HK$'000**
Audit services	2,180
Non-audit services: Interim review for the six months ended 30 June 2021	480
	2,660

ACCOUNTABILITY AND AUDIT

The Directors are responsible for the preparation of financial statements, annual and interim reports, inside information announcements and other disclosures which give a true and fair view of the state of affairs, the results of operations and cash flows of the Group in compliance with accounting standards, the Listing Rules, legal and all applicable statutory requirements in relation to financial reporting. The senior management of the Company has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the financial information and position of the Company, which are put to the Board for approval.

In preparation of the consolidated financial statements for the six months ended 30 June 2021 and for the year ended 31 December 2021, the Directors have adopted suitable accounting policies and applied them consistently. The consolidated financial statements for the year ended 31 December 2021 have been prepared on a going concern basis. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

COMPANY SECRETARY

The company secretary of the Company is Mr. Chan Kin Man, who is also the Group's Chief Financial Officer. In compliance with Rule 3.29 of the Listing Rules, Mr. Chan has undertaken no less than 15 hours of relevant professional training during the year ended 31 December 2021.

SHAREHOLDERS' RIGHTS

As one of the measures to safeguard Shareholders' interests and rights, separate resolutions are proposed at Shareholders' meetings on each substantial issue, including the election of individual Directors, for Shareholders' consideration and voting. All resolutions put forward at Shareholders' meetings will be voted by poll pursuant to the Listing Rules and the poll results will be published on the websites of the Stock Exchange and the Company at "www.hkexnews.hk" and "www.hk1180.com", respectively, after the relevant Shareholders' meetings.

Right to Convene Extraordinary General Meeting

Shareholders may request to convene a special general meeting. According to Bye-law 58 of the Bye-laws of the Company, Shareholders holding as at the date of deposit of the requisition not less than one-tenth (10%) of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary of the Company, to require a special general meeting to be convened by the Board for the transaction of any business specified in such requisition, and such meeting shall be held within two months after the deposit of such requisition. If the Board fails to proceed to convene such meeting within twenty-one days after such deposit, the requisitionists themselves may do so in accordance with the provisions of Section 74 of the Companies Act 1981 of Bermuda.

Right to Put Enquiries to the Board

Shareholders have the right to put enquiries to the Board. All enquiries shall be in writing and sent by post, together with his/her contact details, such as postal address, email or fax, to the principal place of business of the Company in Hong Kong for the attention of the company secretary of the Company.

Right to Put Forward Proposals at General Meetings

Shareholders may put forward proposals at general meetings of the Company by sending the same to the principal place of business of the Company in Hong Kong, specifying his/her information, contact details and the proposal(s) he/she intends to put forward at the general meeting regarding any specified transaction/business and the supporting documents.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Company believes that effective communication with the Shareholders and its investors is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies. The Group also recognises the importance of transparent and timely disclosure of corporate information, which enables the Shareholders and its investors to make the best investment decision.

The Company maintains a website at "www.hk1180.com" as a communication platform with the Shareholders and its investors, where annual reports, interim reports, announcements and updates on the Company's business developments and operations and other information are available. Shareholders and investors may send written enquiries or requests to the Company as follows:

Address:	Unit C, 19th Floor, Entertainment Building, 30 Queen's Road Central, Hong Kong
Fax No.:	(852) 2620 6000
Email:	paradise.ir@hk1180.com

The Company continues to enhance communications and relationships with the Shareholders and its investors. Designated senior management of the Company maintains regular dialogue with institutional investors and analysts to keep them posted of the Company's developments. Enquiries from the Shareholders and the investors are dealt with in an informative and timely manner.

Besides, Shareholders' meetings provide an opportunity for communication between the Board and the Shareholders. Board members and appropriate senior staff of the Group are available at the meeting to answer any questions raised by the Shareholders.

MEMORANDUM OF ASSOCIATION AND BYE-LAWS OF THE COMPANY

During the year ended 31 December 2021, no amendment was made to the Memorandum of Association and the Bye-laws of the Company.

On 24 March 2022, the Board resolved to propose certain amendments to the Bye-laws of the Company which are subject to the approval by the Shareholders by way of a special resolution at the 2022 AGM. Further details of the proposal are set out in the Company's announcement dated 24 March 2022.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges that it is their responsibility to ensure that the Company establishes and maintains appropriate and effective risk management and internal control systems (the "Systems"). Such risks would include, amongst others, material risks relating to ESG. The Systems are designed to manage rather than eliminate risks of failure to achieve business objectives, and can only provide reasonable, but not absolute, assurance against material misstatement or loss.

RISK MANAGEMENT AND INTERNAL CONTROL (Continued)

The control structure of the Group is as follows:

The Board	• ensures the maintenance of appropriate and effective Systems in order to safeguard the Shareholders' investment and assets of the Group; • defines management structure with clear lines of responsibility and limit of authority; and • determines the nature and extent of significant risk that the Company is willing to take in achieving the strategic objectives and formulates the Group's risk management strategies.
The Audit Committee	• oversees the Systems of the Group; • reviews and discusses with the management of the Company at least annually to ensure that the management of the Company has performed its duty to have the effective Systems; and • considers major findings on internal control matters and makes recommendations to the Board.
The management of the Company (includes heads of business units, departments and divisions)	• designs, implements and monitors the Systems properly and ensure the Systems are executed effectively; • monitors risk and takes measures to mitigate risks in day-to-day operations; • gives prompt responses to, and follows up the findings on, internal control matters raised by internal auditor (if any) or the independent auditor; and • provides confirmation to the Board on the effectiveness of the Systems.

In addition, the Group has engaged independent professional firms to perform certain agreed-upon procedures to assist the Board in reviewing the Group's internal control systems and compliance.

Risk Management

The risk management process includes risk identification, risk evaluation, risk management measures and risk control and review.

The management of the Company is entrusted with duties to identify, analyse, evaluate, respond, monitor and communicate risks associated with any activity, function or process within its scope of responsibility and authority. It endeavours to evaluate and compare the level of risk against predetermined acceptable levels of risk. For risk control and monitoring, it involves making decisions regarding which risks are acceptable and how to address those that are not. The management of the Company will develop contingency plans for possible loss scenarios. Accidents and other situations involving loss or near-loss will be investigated and properly documented as part of the effort to manage risks.

RISK MANAGEMENT AND INTERNAL CONTROL (Continued)

Principal Risks and Uncertainties

Certain principal risk and uncertainties of the Group have been identified through the process of risk identification and assessment. The Group believes that the factors described below represent the principal risks and uncertainties which may potentially affect its business, financial conditions, operations, and future prospects of the business. It does not represent that the factors described below are exhaustive. Such principal risks and uncertainties and their respective key strategies/control measures are set out below:

(a) Adverse changes and volatility in economic conditions globally, outbreak of highly infectious diseases and adverse changes in laws, rules and regulations and policies and practices implemented by the governments of the relevant countries and regions which would have an adverse impact on the gaming and travel related activities in Macau and the demand for the electronic gaming equipment and systems of the Group in the relevant countries and regions (in particular, Macau and the U.S.).

The Group's control measures are as follows:

- To stay alert to changes in economic and public health conditions globally and changes in laws, rules and regulations and policies and practices, and to adjust business strategic plans to cope with these changes;
- To expand the Group's business and to broaden the gaming patron base; and
- To control expenses and manpower and to re-allocate resources in an efficient manner without affecting the quality of the Group's products and services.

(b) Ever increasing competition in the gaming industry, in particular (i) due to the opening of more casinos and the upgrading of existing casinos by competitors (as well as increasing number of gaming tables and machines at existing casinos) in Macau and other Asian countries (e.g. Malaysia, Singapore, Vietnam and Cambodia); and (ii) from other gaming equipment and systems suppliers globally.

The Group's control measures are as follows:

- To expand the Group's business and to broaden the gaming patron base;
- To improve marketing strategy and enhance promotions and publicities from time to time in order to encourage existing gaming patrons to come back to the casino under the Group's management and attract new patrons from around the world;
- To be responsive to the feedbacks of its customers on the electronic gaming equipment and systems sold or leased and to customise its electronic gaming equipment and systems according to the specific needs of its customers; and
- To collaborate with IGT in distributing the related electronic gaming equipment and systems worldwide (except Macau).

RISK MANAGEMENT AND INTERNAL CONTROL (Continued)

Principal Risks and Uncertainties (Continued)

(c) Reliance on the concession contract between the Macau government and SJM Resorts (pursuant to which Casino Kam Pek Paradise is licensed for operation) and the existing service agreement between SJM Resorts and the Group whereby the Group provides casino management services at Casino Kam Pek Paradise. There is possibility of termination/non-renewal of, or unfavourable changes in the terms of, the concession contract and/or the services agreement for whatever reasons. The existing concession contract between the Macau government and SJM Resorts will expire on 26 June 2022, unless extended pursuant to the applicable laws of Macau.

The Group's control measures are as follows:

- To stay alert to changes in laws, rules and regulations and policies and practices, and to adjust business strategic plans to cope with these changes; and

- To keep close communications with SJM Resorts in this respect.

(d) Operation of provision of casino management services of the Group may be significantly affected by the recent announcement of the gaming law amendment bill titled "Amendment to Law No. 16/2001 — Legal Framework for the Operations of Casino Games of Fortune by the Macau government. It has stipulated certain new regulations which, if adopted and enacted, will significantly affect the operation of satellite casinos. The Group, being the service provider of Casino Kam Pek Paradise, shall be affected by the enactment of these new regulations.

The Group's control measures are as follows:

- To stay alert to announcement and implementation of the new regulations by the Macau government upon enactment; and

- To stay attentive to the development and identification of cooperation opportunities in order to contribute to the Macau gaming industry within the ambit of the new laws.

(e) The possible infringement of patents and other intellectual property of the Group (collectively the "IPs") by competitors and third parties, the expiry of the IPs (whereby competitors and third parties are no longer prohibited from using the IPs), and the fast-changing technology rendering the IPs obsolete, which may result in a decrease in the value of the IPs and thereby a decrease in demand of the related electronic gaming equipment and systems of the Group (collectively the "Gaming Products"). High popularity of the Gaming Products in Macau does not mean the same level of popularity in other countries and regions.

The Group's control measures are as follows:

- To monitor any infringement of the IPs and to take appropriate actions to protect its interest;

- To continuously invest in research and development to keep pace with the fast-changing technology;

- To modify the Gaming Products and to launch more new products to meet the preference of gaming patrons in other countries and regions; and

- To collaborate with IGT to speed up the distribution of the related electronic gaming equipment and systems around the world (except Macau).

RISK MANAGEMENT AND INTERNAL CONTROL (Continued)

Principal Risks and Uncertainties (Continued)

(f) Hacking, software and hardware errors and fraudulent manipulation of the Gaming Products, which may have an adverse impact on the reputation and profitability of the Group.

The Group's control measure is as follows:

- To monitor and improve the built-in computerised features of the Gaming Products whenever necessary in order to safeguard against the risks of human errors and fraud.

(g) Failure to attract, retain and motivate key employees and consultants of the Group, in particular qualified executives with vast knowledge, experience and connections in the gaming industry and those for inventing new patents and technology.

The Group's control measures are as follows:

- To offer competitive remuneration packages for the suitable candidates identified; and

- To offer share options and share awards in the Shares to those key employees and consultants as and when the Board deems appropriate.

(h) No control over the performance of business partners, in particular original equipment manufacturers ("OEM") for the manufacture of the Gaming Products and IGT for the distribution of the Gaming Products around the world (except Macau), which may have an adverse impact on the quality, production capacity availability and delivery schedules of the Gaming Products.

The Group's control measure is as follows:

- To work closely with OEM and IGT such that the Group can detect any problems at the earliest instance and adopt remedial measures promptly.

(i) Capital risk and financial risks as set out in notes 38 and 39 to the consolidated financial statements, respectively.

The Group's control measure is as follows:

- To stay alert to such risks and to adjust business strategic plans to cope with such risks.

RISK MANAGEMENT AND INTERNAL CONTROL (Continued)

Internal Control

The Board acknowledges that the management of the Company has been progressively implementing an adequate internal control system to ensure the effective functioning of the Group's operational, financial and compliance areas, including the following key measures, policies and procedures:

(a) Financial reporting management:

- Proper controls are in place for the recording of complete, accurate and timely accounting and management information;
- Regular reports on revenue and debtors' ageing, and internal financial reports are prepared to the management of the Company which give a balanced and understandable assessment of the Group's financial performance;
- Timely updates on internal financial statements are provided to the Directors which give a balanced and understandable assessment of the Group's performance, position and prospects with sufficient details; and
- Annual audit is carried out by the independent auditor of the Company to ensure that the annual consolidated financial statements are prepared in accordance with generally accepted accounting principles, the Group's accounting policies and the applicable laws and regulations.

(b) Systems and procedures on disclosure of inside information: It is to ensure, with the assistance of an internal work team (if required), that any material information which comes to the knowledge of any one or more officers should be promptly identified, assessed and escalated (where appropriate) for the attention of the Board.

(c) Policies and practices on compliance with legal and regulatory requirements: It shall be reviewed and monitored regularly by the Board.

(d) Continuing connected transactions: The Audit Committee shall monitor, control and review continuing connected transactions of the Company regularly and ensure proper compliance with the Listing Rules and all other relevant laws and regulations from time to time.

The Group does not have an internal audit department. During the year ended 31 December 2021, the Group has engaged Annie Chan & Associates Limited to perform certain agreed-upon procedures to assist the Board in reviewing the Group's internal control systems and compliance.

The Board and the Audit Committee review the Group's Systems on an annual basis.

During the year ended 31 December 2021, the Board and the Audit Committee reviewed the Group's Systems and are not aware of any material risks, deficiencies and issues that would have an adverse impact on the effectiveness and adequacy of the Systems and the operations of the Group. The Board and the Audit Committee considers the Group's system effectiveness and adequate.

In addition, the Audit Committee has reviewed and is satisfied with the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit, financial reporting functions, as well as those relating to the Group's ESG performance and reporting.

In accordance with the requirements set forth in Appendix 27 — Environmental, Social and Governance Reporting Guide (the "ESG Reporting Guide") to the Listing Rules, the Group hereby presents the ESG Report for the year ended 31 December 2021. Corporate governance matters are addressed in greater detail in the Corporate Governance Report of this annual report. Except for the provisions that the Group considers are inapplicable to its operations, for which explanations have been given below, the ESG Report has complied with all the mandatory disclosure requirements and the "Comply or Explain" provisions set out in the ESG Reporting Guide. It is recommended that the ESG Report should be read together with other sections of this annual report, in particular with the Corporate Governance Report and the Directors' Report.

REPORTING PERIOD

The ESG Report covers the ESG activities, challenges and measures taken by the Group for the period from 1 January 2021 to 31 December 2021 (the "Reporting Period"),

REPORTING BOUNDARIES

The ESG Report outlines the ESG policies, initiatives and performance of the Group for the Reporting Period. The scope of reporting covers our operations in Casino Kam Pek Paradise, being the casino under the Group's management in Macau, in which the Group has financial significance and operational influence. Accordingly, the key performance indicators ("KPIs"), including the comparative figures, disclosed in the ESG Report cover Casino Kam Pek Paradise only, unless otherwise specifically stated. In particular for calculation of certain employee-related KPIs, employees employed by SJM Resorts to work for Casino Kam Pek Paradise (whose remunerations were paid by SJM Resorts and fully reimbursed by the Group to SJM Resorts) are excluded. There has been no change in the scope of reporting during the Reporting Period.

ESG GOVERNANCE STRUCTURE

The Group is of the belief that good and effective ESG measures are important to the sustainable development of our business and of our community. The Board retains the overall responsibility for the formulation, implementation and reporting of the Group's ESG strategies and for the oversight of the relevant ESG issues. The Board is also responsible for evaluating the impacts of ESG risks and opportunities taking into account the Group's long-term business objectives, and ensuring that appropriate and effective ESG risk management and internal control systems are in place.

The EHS Team has been established to manage policies and procedures that drive environmental protection initiatives and responsible stewardship of local resources for the Group's operations. The EHS Team is comprised of senior management from different business functions. The EHS Team members have equipped with updated knowledge on ESG related issues. The EHS Team reports to the Board directly and is responsible for monitoring the Group's policies, programmes, and performances relating to ESG issues. The EHS Team also sets ESG performance targets at the management level in order to assist the Board in evaluating the effectiveness of its ESG strategy and measures. The Group aspires to create long-term value for our stakeholders that is in line with the sustainable and responsible growth of our business, and we believe that transparency and accountability are important foundations for building trust with our stakeholders. The EHS Team members strive to maintain an open and transparent dialogue with various stakeholders including employees, customers, suppliers, Shareholders, investors, media and local communities for the purpose of conducting ESG evaluation and materiality assessments, both internal and external. The EHS Team members will, if they think fit, engage our key stakeholders on a regular basis across various platforms, such as meetings, interviews, surveys and workshops to gauge their expectations and feedback on how we could address ESG issues in the best manner. For instance, the EHS Team members target to meet the employees from different departments to drive implementation, review their operations in order to identify relevant ESG issues and assess their materiality based on their impact to our businesses as well as the stakeholders.

ESG GOVERNANCE STRUCTURE (Continued)

Based on the inputs of our key stakeholders, the EHS Team prioritises aspects relating to environmental discharges, use of resources, employment and labour standards, operating practices and community investment. Key initiatives and measures about the management approach and strategy adopted by the Group are further discussed in the below sections headed “Stakeholders Engagement” and “Materiality Assessment” of the ESG Report. ESG performance is measured, reviewed and reported to management regularly for continuous improvement.

To ensure the Board keeps up with the latest trend of ESG requirements, updated training materials are provided to Directors in order to ensure the Board has the necessary expertise and skills to oversee the management of ESG related issues and requirements.

REPORTING PRINCIPLES

The ESG Report has been prepared in accordance with the three reporting principles set forth in the ESG Reporting Guide as follows:

Materiality: The Group regularly communicates with both internal and external stakeholders to better understand their concerns relating to sustainability issues that affect them, and to address their concerns where possible. Regular reference is made to peers, local and regional sustainability criteria which help to improve sustainability context, materiality and disclosures. Please refer to the section headed “Materiality Assessment” below for details in relation to materiality assessment. The Group values stakeholders engagement as it provides valuable input which contributes to steering the Group’s development in the ESG aspects. For more information on stakeholders engagement, please refer to the section immediately below.

Quantitative: In accordance with the ESG Reporting Guide, the Group disclosed certain applicable KPIs (which serve as quantitative indicators) in the section headed “Environmental” in the ESG Report.

Consistency: The Group adopts consistent methodology for the assessment of the KPIs in accordance with the ESG Reporting Guide to achieve a comparison of ESG performances over time whenever practicable. In this connection, there has been no change to the methods or KPIs used or any other relevant factors affecting the comparison of the ESG Report with the Group’s ESG report for the year ended 31 December 2020.

STAKEHOLDERS ENGAGEMENT

The Group recognises the importance of engagement with its stakeholders, both internal and external, and considers their input key to the sustainable development of the Group. The Group believes that the feedback from the stakeholders not only facilitates a comprehensive assessment of its ESG performance, but also helps improving the Group’s performance accordingly. Engagement with our key stakeholders (including our Shareholders, business partners, suppliers, service providers, employees, casino patrons, customers and the community, etc.) on an ongoing basis provides an opportunity for the Group to understand their concerns. This will in turn drive our business development initiatives in the right direction and make our operations sustainable. The Group considers our key stakeholders as valued partners and has set up strategic and collaborative business relationships to better understand their respective needs. Accordingly, the Group has maintained effective communication and interaction with our stakeholders in an open, efficient and positive manner in areas of common goals or concerns through various channels which have been described in the table below, and will continue to maintain its communications with the stakeholders for the purpose of improving its ESG approaches and strategies.

STAKEHOLDERS ENGAGEMENT (Continued)

Stakeholders	Communication Channels	Areas of Common Goals/Concerns
Shareholders	• General meetings • Results announcements, annual reports and ESG reports • Company's website • Direct communication	• Business development and financial performance of the Group • Information on ESG matters • Corporate governance matters • Profitability of the Group
Business partners, suppliers and service providers	• Meetings/conferences/emails/telephone calls • Site visits	• Supply chain management • Procurement procedures • Monitoring project progress and development • Assessment and reviews
Employees	• Direct communications and regular discussions with superiors • Team building activities	• Remuneration and career advancement • Occupational health and safety • Training and professional development
Customers and casino patrons	• Customer satisfaction survey • Interactions and open ways of communication including providing customer service centre	• Quality and efficiency of customer services • Promoting responsible gaming • Promoting awareness of problem gaming
Community	• Company website • Organising/participating charitable activities • Staff recruitment activities	• Supporting charitable organisations and activities • Job creation

Through our communication channels with the stakeholders, we map out and prioritise our ESG issues and enhance our understanding of the views and expectations of our stakeholders enabling us to better assess and manage the impact of our activities.

MATERIALITY ASSESSMENT

To prioritise relevant sustainability areas that would have a material impact on the Group's operations and reputation, the Group has adopted a three-step process to conduct materiality assessment as more described below.

Step 1: Identification

Through industry research and with reference to the ESG Reporting Guide, the Group has identified a list of sustainability issues as relevant to the Group's business operations for the Reporting Period.

MATERIALITY ASSESSMENT (Continued)

Step 2: Prioritisation

Ranking the identified topics by reference to the respective level of interest, risk and importance to the Group through stakeholders engagement and generating a list of prioritised material topics based on the Group's understanding of the stakeholders' concerns and requirements as a result of stakeholders engagement.

Step 3: Validation

The Board has regularly reviewed, validated and endorsed the list of material sustainability topics to ensure that they are relevant and material to the Group for further action and disclosure as appropriate. For instance, in view of the prevalence of the global pandemic raising public awareness on health issues, the Group has implemented various preventive and safety measures on Casino Kam Pek Paradise upon discussions with the key stakeholders, in compliance with the prevailing anti-Covid-19 requirements and social distancing rules.

After discussion with the key stakeholders, the EHS Team has prepared a materiality matrix for the purpose of materiality assessment. The result of the materiality assessment advises the Group that material ESG issues of Casino Kam Pek Paradise are as follows:

— Employment

— Labour standards

— Development and training

— Health and safety

— Anti-corruption

— Responsible gaming

— Data privacy

— Emissions

These material ESG issues will be discussed in the ESG Report. Looking forward, the Board will also review the Group's strategic planning and performance from time to time. The Board also sets out (and where necessary revises) ESG goals and targets based on relevant KPIs, reviews the ESG performance on a regular or at least yearly basis, strives to provide a supportive environment, and incorporates ESG initiatives into the Group's strategy in order to reduce the adverse impact of its activities on the environment.

A. ENVIRONMENTAL

As the Group does not operate any manufacturing factories, the Group does not impose significant impacts on the environment due to the minimal activities undertaken. The Group's main emissions, being greenhouse gas emissions and wastes produced, are primarily attributable to its use of resources in terms of electricity, water and paper during daily operation. The Group has established environmental policies aiming to lessen its impact on the environmental and natural resources by using its resources more efficiently, and by monitoring and minimising its energy consumption and thereby reducing emissions as practicable as possible. The Group does not anticipate any material risks in its operations in respect of environmental protection concerns. The Group's environmental policies cover material environmental issues including emissions, use of resources and other environmental impacts, and are further described in the sections below in respect of Casino Kam Pek Paradise. The Group has complied with relevant environmental laws and regulations in Macau relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste, where applicable, and did not note any cases of material non-compliance during the year ended 31 December 2021.

A1 Emissions

A1.1 Air Emissions

Emissions Data from Gaseous Fuel Consumption

As the Group is principally engaged in the provision of casino management services as well as the development, sale and leasing of electronic gaming equipment and systems, consumption of towngas and liquefied petroleum gas in the operation of Casino Kam Pek Paradise are considered insignificant. Accordingly, emission data in this respect is not provided in the ESG Report.

Emissions Data from Vehicles

Air emissions from operations of Casino Kam Pek Paradise are mainly generated from vehicles. In order to improve air quality, the Group aims to reduce air emissions generated from its operations. Considering that Casino Kam Pek Paradise locates in the city of the Macau Peninsula, where is supported by good network of public transport facilities with close proximity, it currently does not provide shuttle bus services connecting passengers, for instance, between border gates and the casino. The reduction of such shuttle bus operation reduces traffic and emissions on roads. For the purpose of compliance with the disclosure requirements under the ESG Reporting Guide, details of air emissions data for the years ended 31 December 2021 and 31 December 2020 in respect of Casino Kam Pek Paradise are as follows:

Type of emissions	**Unit**	**2021**	2020
Nitrogen oxides (NO_X)	Kg	**21**	18
Sulphur oxides (SO_X)	Kg	**1**	1
Particulate matter (PM)	Kg	**2**	1
Total emissions	Kg	**24**	20
Emissions per sq. ft.	Kg/sq. ft.	**0.0002**	0.0001

Remark: The emissions data shown and emission factors applied in the ESG Report are provided with reference to the emission factors set out in the document known as "How to prepare an ESG Report Appendix 2: Reporting Guidance on Environmental KPIs" which is available on the website of the Stock Exchange (the "HKEX Guidance Document") and relevant emission factors in Macau.

A. ENVIRONMENTAL (Continued)

A1 Emissions (Continued)

A1.1 Air Emissions (Continued)

Emissions Data from Vehicles (Continued)

For the year ended 31 December 2021, air emissions from the vehicles of Casino Kam Pek Paradise increased by 20% when compared with that of 2020 which was mainly due to the increase in casino patrons during the year ended 31 December 2021 in comparison with the relatively low level of casino patrons caused by various measures (including suspension of casino operation, cross-border travel restrictions, quarantine requirement, limitation of numbers of gaming tables and machines in operation in casinos, etc.) to contain the spread of Covid-19 in Macau during the year ended 31 December 2020. By the year ending 31 December 2022, we target to maintain or where possible reduce air emissions of Casino Kam Pek Paradise to such similar level before the outbreak of the pandemic, assuming Macau would recover generally from the pandemic.

A1.2 Greenhouse Gas Emissions

With reference to HKEX Guidance Document, greenhouse gas ("GHG") emissions (direct and indirect) can be broadly classified into the following separate scopes:

Scope 1 — Direct emissions from operations that are owned or controlled by the Group. The main source of direct emission of Casino Kam Pek Paradise is consumption of gasoline and diesel by the vehicles controlled by the Group;

Scope 2 — Energy indirect emissions resulting from the electricity purchased; and

Scope 3 — Other indirect emissions that occur outside the reporting entity, including upstream and downstream emissions.

The main sources of GHG emissions arising from our business activities in respect of Casino Kam Pek Paradise for the year ended 31 December 2021 are the consumption of gasoline, diesel and electricity purchased from power companies. As the Group is principally engaged in the provision of casino management services as well as the development, sale and leasing of electronic gaming equipment and systems, other indirect emissions under Scope 3 that occur outside the Group are insignificant and accordingly, emission data under Scope 3 is not provided in the ESG Report.

A. ENVIRONMENTAL (Continued)

A1 Emissions (Continued)

A1.2 Greenhouse Gas Emissions (Continued)

GHG emission data, measured in terms of carbon dioxide equivalent ("CO_2e"), of Casino Kam Pek Paradise for the years ended 31 December 2021 and 31 December 2020 are as follows:

		Unit	2021	2020
Scope 1	Gasoline and diesel consumed by vehicles	Ton	**108**	88
Scope 2	Electricity purchased	Ton	**4,073**	4,005
	Total emissions	Ton	**4,181**	4,093
	Emissions per sq. ft.	Kg/sq. ft.	**28.7**	28.1

Scope 1 and Scope 2 emissions of Casino Kam Pek Paradise increased by 22.7% and 1.7%, respectively, in 2021 when compared with that of 2020. Increase in gasoline and diesel consumed by vehicles and increase in electricity consumed by Casino Kam Pek Paradise in 2021 was mainly due to the increase in casino patrons during the year ended 31 December 2021 in comparison with the relatively low level of casino patrons caused by various measures (including suspension of casino operation, cross-border travel restrictions, quarantine requirement, limitation of numbers of gaming tables and machines in operation in casinos, etc.) to contain the spread of Covid-19 in Macau during the year ended 31 December 2020. By the year ending 31 December 2022, we target to maintain or where possible reduce GHG emissions of Casino Kam Pek Paradise to such similar level before the outbreak of the pandemic, assuming Macau would recover generally from the pandemic.

A1.3 Hazardous Waste

Since the Group is principally engaged in the provision of casino management services as well as the development, sale and leasing of electronic gaming equipment and systems, no significant hazardous wastes and pollutants such as hazardous chemicals are discharged due to its business nature and accordingly, such hazardous waste data is not provided in the ESG Report.

A1.4 Non-hazardous Waste

In view of the principal business operations of Casino Kam Pek Paradise and also the measures adopted by the Group to mitigate non-hazardous as further described in Section A1.6 below, non-hazardous wastes produced such as paper waste and water waste are insignificant. Accordingly, data of non-hazardous waste is not provided in the ESG Report.

A. ENVIRONMENTAL (Continued)

A1 Emissions (Continued)

A1.5 Measures to Mitigate Emissions

The main source of emissions of Casino Kam Pek Paradise is the use of energy. The Group is committed to reducing our emissions through our resource efficiency initiatives wherever possible. For instance, the Group notes that the carbon footprint produced by business trips shall increase GHG emissions although its impact is not significant as far as the business of the Group is concerned. As part of the Group's green policy, employees of the Group are encouraged to reduce and minimise business trips unless they are strictly necessary. Audio or video conferencing facilities are installed in the offices and certain meetings by means of audio or video conference have been conducted in lieu of physical conferences. In addition, there have been cross-border travel restrictions and quarantine requirements imposed by many countries since the outbreak of Covid-19 in early 2020. As a result, physical business trips for the Group in 2021 were insignificant, and so as GHG emissions in this respect. The Group has also adopted various energy-saving initiatives to reduce the emissions. Please refer to the Section A2 "Use of Resources" below for details.

A1.6 Measures to Mitigate Non-hazardous Waste

The Group, including Casino Kam Pek Paradise, has managed to keep their level of non-hazardous waste low as a result of the Group's policy in reducing wastes. In order to reduce paper waste, the Group advocates the policy "Reduce, Reuse and Recycle", and encourages its staff to reduce paper usage and recycle paper waste where possible. For example, the use of recycled paper and double-sided printing and photo-copying are adopted and publications of the Group, including the Group's Interim Report 2021 and Annual Report 2020, etc., were made of papers certified by the Forest Stewardship Council. Moreover, waste toner cartridges are recycled. Paperless approval processes and paperless meetings are adopted to reduce the use of photocopy papers where applicable. On the other hand, in order to reduce waste plastic bottles (from bottles of distilled water provided to casino patrons), there are water bars in Casino Kam Pek Paradise where hot water, distilled water dispenser and reusable metallic cups are provided to casino patrons. Since the adoption of water bars, waste plastic bottles have been reduced drastically. By the year ending 31 December 2022, we target to maintain or where possible reduce non-hazardous waste of Casino Kam Pek Paradise to such similar level before the outbreak of the pandemic, assuming Macau would recover generally from the pandemic.

A. ENVIRONMENTAL (Continued)

A2 Use of Resources

A2.1 Energy Consumption

Details of energy consumed directly (gasoline and diesel) and indirectly (electricity purchased) by Casino Kam Pek Paradise for the years ended 31 December 2021 and 31 December 2020 are as follows:

Type	Unit	2021	2020
Consumption:			
Gasoline	Litre	**37,741**	30,402
Diesel	Litre	**2,115**	2,199
Electricity purchased	Kwh	**11,216,979**	11,030,090
Intensity:			
Gasoline	Litre/sq. ft.	**0.26**	0.21
Diesel	Litre/sq. ft.	**0.01**	0.02
Electricity purchased	Kwh/sq. ft.	**76.9**	75.6

Consumptions of gasoline by Casino Kam Pek Paradise increased by 24.1% and consumptions of diesel decreased by 3.8% in 2021, when compared with that of 2020. When the total consumptions of gasoline and diesel are considered as a whole, consumptions of gasoline and diesel increased from 32,601 litres to 39,856 litres, representing an increase of 22.3%. The quantity of electricity purchased increased by 1.7% in 2021 when compared with that of 2020. The increase in energy consumption and also the related intensity of Casino Kam Pek Paradise in 2021 was mainly due to the increase in casino patrons during the year ended 31 December 2021 in comparison with the relatively low level of casino patrons caused by various measures (including suspension of casino operation, cross-border travel restrictions, quarantine requirement, limitation of numbers of gaming tables and machines in operation in casinos, etc.) to contain the spread of Covid-19 in Macau during the year ended 31 December 2020. By the year ending 31 December 2022, we target to maintain or where possible reduce consumption of gasoline, diesel and electricity of Casino Kam Pek Paradise to such similar level before the outbreak of the pandemic, assuming Macau would recover generally from the pandemic.

A. ENVIRONMENTAL (Continued)

A2 Use of Resources (Continued)

A2.2 Water Consumption

Water consumed by Casino Kam Pek Paradise for the years ended 31 December 2021 and 31 December 2020 is as follows:

	Unit	2021	2020
Water consumed	M^3	**223.8**	205.8
Intensity of water consumed	M^3/sq. ft.	**0.002**	0.001

Compared with 2020, the consumption of water in Casino Kam Pek Paradise in 2021 increased by 8.7%. The increase was mainly due to increase in casino patrons during the year ended 31 December 2021 in comparison with the relatively low level of casino patrons caused by various measures (including suspension of casino operation, cross-border travel restrictions, quarantine requirement, limitation of numbers of gaming tables and machines in operation in casinos, etc.) to contain the spread of Covid-19 in Macau during the year ended 31 December 2020. By the year ending 31 December 2022, we target to maintain or where possible reduce water consumption of Casino Kam Pek Paradise to such similar level before the outbreak of the pandemic, assuming Macau would recover generally from the pandemic.

A2.3 & A2.4 Energy and Water Efficiency Initiatives

To reduce the Group's negative impact on the environment, the Group sets out policy for effective use of resources in order to protect the environment and make its business operations more cost-efficient. The Group has implemented green office practices in order to minimise the use of resources like paper, electricity and water, wherever possible.

The Group's green measures include double-sided printing, the use of energy-saving lightings such as light-emitting diode ("LED") lightings both on the sign boards and at Casino Kam Pek Paradise, and reducing energy consumption by switching off idle lightings, computers and electrical appliances, etc. In order to save electricity consumed, the indoor temperature in Casino Kam Pek Paradise is maintained at reasonable level in order to avoid over usage of air-conditioning and electricity. Moreover, labels reminding employees to save energy are placed close to the switches.

In order to reduce consumption of paper, collection boxes have been put in place to collect single-side used paper for reuse as draft paper and other scrap paper for recycling. Staff are reminded of the necessity in email communications before printing out in hard copies to reduce unnecessary paper usage. Moreover, paperless approval processes are adopted for the purpose of reducing use of paper.

In order to reduce consumption of water, the data of water consumption pattern in respect of Casino Kam Pek Paradise were collected and analysed. Water bars are installed in the casino under the Group's management where hot water, distilled water dispenser and reusable metallic cups are provided to casino patrons. Under such arrangement, water is consumed by casino patrons on an as-needed basis by the adoption of water bars, as opposed to constraining casino patrons' consumption of bottled water which may be beyond their needs. As a result, consumption of water has been reduced drastically.

A. ENVIRONMENTAL (Continued)

A2 Use of Resources (Continued)

A2.3 & A2.4 Energy and Water Efficiency Initiatives (Continued)

Since there are no rivers within the territory of Macau where Casino Kam Pek Paradise operates, the facilities of rainwater storage are very limited. The main source of water in Macau is supplied from Zhuhai, with Xijiang River as the source. The water source in Macau is generally considered to be in low risk of lack of potable water supply. Casino Kam Pek Paradise did not have any material concerns with respect to sourcing potable water we require for our operations during the year ended 31 December 2021.

By the year ending 31 December 2022, we target to maintain or where possible reduce consumption of gasoline, diesel, electricity, water and emissions of the Group including Casino Kam Pek Paradise to such similar level before the outbreak of the pandemic, assuming Macau would recover generally from the pandemic.

A2.5 Packaging Material

In view of the business nature of Casino Kam Pek Paradise being mainly the provision of casino management services, the packaging material used for finished products is not significant and accordingly, such packaging material data is not provided in the ESG Report.

A3 The Environment and Natural Resources

The Group recognises the responsibility in managing the Group's impact on the environment. For this reason, the Group has adopted series of initiatives as set out above in order to minimise emissions and consumption of energy and resources. The Group closely monitors the utilisation of resources and shall take appropriate actions to seek opportunities for increasing operating efficiency in order to reduce the consumption of non-renewable resources where possible. The Group shall assess the environmental risks of the Group's operations and ensure the Group's compliance with relevant laws and regulations in Macau from time to time. During the year ended 31 December 2021, the Group did not recognise any significant non-compliance with relevant laws and regulations in Macau in this aspect.

Indoor Air Quality

In order to improve quality of air in Casino Kam Pek Paradise for the health of the casino patrons and the Group's staff, the Group has installed air-purifiers. The Group is committed to complying with relevant prevailing laws and requirements and adhering to the Regime of Tobacco Prevention and Control requirements imposed by the relevant Macau government authority.

The Group did not note any cases of material non-compliance with Air Pollution Control Ordinance and Water Pollution Control Ordinance of Hong Kong or the applicable legislation in Macau regarding the Group's operations during the year ended 31 December 2021.

A. ENVIRONMENTAL (Continued)

A4 Climate Change

Climate change poses one of the greatest risks to the global economies and businesses. Noticing that the physical impacts of flooding and damage brought by super typhoons such as “Hato” and “Mangkhut” to the business operations of Casino Kam Pek Paradise in recent years, the Board recongises the need to adopt a holistic view of how climate change affects the Group’s business and functions, for instance, by incorporating climate-related considerations into its strategic planning and decision-making process. Climate-related issues are integrated into the mandates of the EHS Team for the day-to-day assessment and management of climate-related issues. Meetings with key stakeholder groups such as employees, investors, and suppliers were held, if appropriate, to help the EHS Team identify climate-related risks for prioritisation.

Supported by the EHS Team, the Board oversees the management of climate-related issues and risks annually during board meetings and ensures that they are incorporated into the strategy of the Group. The EHS Team is responsible for assessing, managing and monitoring the Group’s policies, programmes, and performances relating to climate change, and provisions of recommendations and updates to assist the Board in evaluating the effectiveness of climate strategy and measures of the Group. To ensure the Board keeps up with the latest trend of climate-related issues, climate competence training is provided to ensure the Board has the necessary expertise and skills to oversee the management of climate-related issues.

Meetings were convened to gather heads from different departments to further identify climate-related risks. Meetings with stakeholder groups such as employees, investors, and suppliers were held. Subsequently, a list of climate-related risks was identified for prioritisation.

Utilising the quantitative scoring method, identified climate-related risks were prioritised. Criteria including likelihood, impact, adaptability and recovery were used to rank the priority of relevant risks. Then, the scoring process was done.

The EHS Team has reviewed different types of physical risks (such as flood and typhoon, rising sea level and frequency and severity of extreme weather) and transition risks (such as new policy relating to carbon price, new technology and market preference). Given the business nature of Casino Kam Pek Paradise being mainly the provision of casino management services, significant climate-change related issues which have impacted or which may impact the Group have not been identified.

To minimise the disruption caused by changes in weather patterns and the increased severity of extreme weather events to the continuity of the Group’s daily operations and the availability of our staff to serve our customers, the Group has developed emergency protocols to handle such events, as outlined in the employee handbook including guidelines of work arrangements, and reviewed the adequacy of insurance coverage for Casino Kam Pek Paradise. The Group will continue to monitor climate-change related issues and make appropriate assessments to consider and determine whether to take measures should any of such issues arise.

B. SOCIAL

B1 Employment

Employees are the greatest asset of the Group. The Group strives to attract, recruit, retain and train its employees. Employee handbooks have been established, with sets of policies to govern employees' affairs such as recruitment, payroll, working hours, rest periods, termination and rules of conduct. All the Group's offices (including offices in Hong Kong and Macau) are in compliance with the relevant labour laws and regulations in the relevant jurisdictions.

Total Workforce

As at 31 December 2021, there were 131 employees who were employed by the Group and working at Casino Kam Pek Paradise. The breakdown of employees by gender, employment type, age group and geographical region as at 31 December 2021 and 31 December 2020 were as follows:

Number of employees by gender	2021	2020
Male	**43**	41
Female	**88**	93
Total	**131**	134

Number of employees by employment type	2021	2020
Full time	**131**	133
Contract	**–**	1
	131	134

Number of employees by age group	2021	2020
Below 30	**19**	20
30 to 50	**73**	71
Above 50	**39**	43
Total	**131**	134

B. SOCIAL (Continued)

B1 Employment (Continued)

Total Workforce (Continued)

Number of employees by geographical region (location of work)	2021	2020
Macau	**131**	134
Others	**—**	—
	131	134

Employment Turnover Rate

The staff turnover rate is calculated by the monthly average number of employees leaving the Group during the year divided by the average number of employees for the year. The overall staff turnover rate and staff turnover rate by gender, age group and geographical region of Casino Kam Pek Paradise in 2021 and 2020 are as follows:

Staff turnover rate (overall)	2021	2020
Overall rate	**0.4%**	0.7%

Staff turnover rate by gender	2021	2020
Male	**0.7%**	0.6%
Female	**0.2%**	0.8%

Staff turnover rate by age group	2021	2020
Below 30	**0.4%**	—
30 to 50	**0.1%**	0.1%
Above 50	**0.7%**	2.0%

Staff turnover rate by geographical region (location of work)	2021	2020
Macau	**0.4%**	0.7%

The Group recognises the importance of maintaining a stable staff force for its continued success. Staff remuneration is determined by reference to personal qualifications, performance, relevant experience, responsibilities and market trends. Discretionary bonuses are granted to employees based on merit and in accordance with industry practice. Other benefits including share options, share awards, subsidised medical care, pension funds and sponsorship for external education and training programmes are offered to employees.

B. SOCIAL (Continued)

B1 Employment (Continued)

Employment Turnover Rate (Continued)

The Group respects cultural diversity and is committed to provision of working environment which is free from all forms of discrimination (including age, religion, gender, pregnancy, marital status, disability, family status and race). Therefore, any employee dismissal due to discrimination or unlawful reasons is forbidden in the Group. Besides, opportunities for hiring, training and promotion are equal and open to all qualified candidates or employees and the Group has developed a systematic and objective evaluation mechanism to assess their performance based on qualifications, work experience, skills and abilities. When a position becomes available, the Group prefers internal promotion (where possible) to external recruitment.

The Group strives to maintain the work-life balance of its employees by establishing fair and reasonable working hours and leave policy to ensure that employees have sufficient time for rest and leisure. For the betterment of harmonious relationship between the employees across departments and offices, the Group provides various social activities to its employees where appropriate.

The Group did not note any cases of material non-compliance with the “Labour Relations Law” of the Labour Affairs Bureau of Macau and the “Labour Legislation” of Labour Department of Hong Kong during the year ended 31 December 2021.

B2 Health and Safety

The Group strives to provide a safe working environment for all employees. Auxiliary facilities and protective equipment are provided to the employees in order to reduce the possibility of injury. Training courses on fire extinguishing and escape exercises are held regularly. All cases of injury, if any, are required to be reported to the head office for assessment of the cause of injury, consideration of corresponding preventive measures and to ensure proper handling of the cases in compliance with relevant regulations.

Number and Rate of Work-related Fatality

There has been no recorded case of employee work-related fatality during the years ended 31 December 2019, 2020 and 2021. Accordingly, the rate of work-related fatality for the years ended 31 December 2019, 2020 and 2021 is nil.

Lost Days Due to Work Injury

The number of lost days due to work injury during the year ended 31 December 2021 were 5 days (2020: 16 days).

Meetings of relevant department heads were held. They investigated into the injuries seriously and reasons attributable to the injuries were found by the department heads. In order to prevent similar injuries in the future, certain tools including trolleys and more preventive trainings were provided to our staff.

Occupational Health and Safety Measures

Occupational health services which aim to protect the physical and mental health of workers in relation to their work environment are offered. This includes surveillance of the work environment, including sanitary installations and canteens; training on occupational health, safety, and hygiene; and provision of individual protective supplies and first aid, etc.

B. SOCIAL (Continued)

B2 Health and Safety (Continued)

Occupational Health and Safety Measures (Continued)

Voluntary health promotion programs are also provided. This includes offering healthy food and medical insurance to employees.

In response to the outbreak of Covid-19, all employees working in and casino patrons entering into Casino Kam Pek Paradise are required to wear surgical face mask at all time. Besides, all employees are required to provide their green Macau Health Code together with either one of the records of their vaccination or a certificate of negative nucleic acid testing issued within a designated period; otherwise, they will not be permitted to enter into Casino Kam Pek Paradise. On the other hand, all patrons are required to provide their green Macau Health Code when entering the Casino Kam Pek Paradise. The Group encourages the employees at Casino Kam Pek Paradise to get vaccinated. As a responsible employer, the Group has encouraged its staff at all offices, including Macau offices and Hong Kong office, to take vaccination. Moreover, in order to keep social distance, the number of gaming machines in operation in Casino Kam Pek Paradise has been restricted and maximum number of seats per traditional gaming table has also been restricted. All these measures can help hamper the wide spread of the pandemic.

The Group did not note any cases of material non-compliance with the Occupational Safety and Health Ordinance of Hong Kong or the applicable legislation in Macau during the year ended 31 December 2021.

B3 Development and Training

The Group strives to improve employee's knowledge and skills for discharging their duties at work and to make them valuable assets to the Group, with a view to promoting the long-term development of its employees. For this reason, vocational training courses are provided to the employees, for example, anti-money laundering courses are provided to employees in Macau. The Group also sponsored the employees for external training courses and part-time degree courses towards certain selected employees in 2021.

The overall percentage of employees trained and the percentage of employees trained by gender and employee category in 2021 and 2020 were as follows:

Percentage of employees trained (overall)	**2021**	2020
Overall rate	**93.9%**	97.0%

Percentage of employees trained by gender	**2021**	2020
Male	**83.7%**	90.2%
Female	**98.9%**	100.0%

Percentage of employees trained by employee category	**2021**	2020
General employee	**95.9%**	96.2%
Middle management	**87.1%**	100.0%
Senior management	**100.0%**	100.0%

B. SOCIAL (Continued)

B3 Development and Training (Continued)

The overall average training hours per employee and the average training hours per employee by gender and employee category in 2021 and 2020 were as follows:

Average training hours per employee (overall)	**2021 Hours**	2020 Hours
Overall	**0.9**	1.0

Average training hours per employee by gender	**2021 Hours**	2020 Hours
Male	**0.8**	0.9
Female	**1.0**	1.0

Average training hours per employee by employee category	**2021 Hours**	2020 Hours
General employee	**1.0**	1.0
Middle management	**0.9**	1.0
Senior management	**1.0**	1.0

B4 Labour Standards

Anti-Child and Forced Labour

The Group strictly prohibits the use of child and forced labour in the Group's operations or activities. The Group's operations strictly comply with local labour laws and regulations. Forcing labour to work by means of physical punishment, abuse, involuntary servitude, peonage or trafficking is strictly forbidden. Employment of any person who is under the age as set forth by the local labour law is prohibited, including but not limited to hiring for the gaming areas in respect of Casino Kam Pek Paradise. The Group formally requires all job applicants to present their identity cards when they attend recruitment interview. If violations are involved, they will be dealt with in light of the circumstance and in accordance with the "Labour Relations Law" of the Labour Affairs Bureau of Macau. The Group's Human Resources Department is responsible for monitoring and ensuring compliance with the "Labour Relations Law" of the Labour Affairs Bureau of Macau that prohibits child and forced labour.

The Group did not note any cases of material non-compliance with the "Labour Relations Law" of the Labour Affairs Bureau of Macau during the year ended 31 December 2021.

B. SOCIAL (Continued)

B5 Supply Chain Management

The Group's operation in Casino Kam Pek Paradise maintained business relationship with approximately 80 suppliers during the year ended 31 December 2021 (2020: approximately 90 suppliers). Nearly 100% of the suppliers for our operation in Casino Kam Pek Paradise are located in Macau for both years ended 31 December 2021 and 2020. In determining the location of the suppliers, we refer to the location in which products or services are provided to the Group. The Group is well aware that selection and management of suppliers is key to promoting green and environmental-friendly procurement in its operations. As such, the Group also maintains a list of approved suppliers which is updated regularly by the Purchasing Department of the Group. In selection of suppliers, domestic suppliers in Macau and green suppliers are preferred. For example, suppliers located in Macau adopting recycled materials and products made of recycled materials are preferred, in order to promote green products. The suppliers within the approved list are also required to adhere to the Group's ESG policies including but not limited to:

— Provision of safe working environment;

— Prohibition of child and forced labour;

— Certified green products preferred;

— Fair wages and fair working environment without discrimination; and

— Compliance with or exceeding all relevant laws, regulations, and codes of conduct or practice.

The products and services provided by the suppliers to the Group will be reviewed by our Purchasing Department from time to time. When it comes to the Group's attention that a supplier in the approved list of suppliers has failed to meet the standards or failed to adhere to the Group's policies, upon the Group's review and assessment, such supplier may be removed from the approved list of suppliers and the Group may source for new suppliers which can supply products with equivalent standards and quality and at the same time uphold environmental and social principles that align with the Group's policies. The Purchasing Department also regularly monitors the implementation of such policies and performance of such suppliers.

In light of this policy, photocopiers of less consumption of energy and less emissions of carbon are adopted by the Group, including Casino Kam Pek Paradise.

B. SOCIAL (Continued)

B6 Product Responsibility

In view of the business nature of Casino Kam Pek Paradise being mainly the provision of casino management services, disclosure on the number of products sold or shipped subject to recalls for safety and health reasons is not applicable to the Group. Product responsibility information on the services provided are discussed as follows:

Responsible Gaming

As a group engaged in the provision of casino management services, the Group is committed to promoting responsible gaming and supporting Macau government's relevant measures. The Group promotes responsible gaming in a variety of ways, including:

— Notice boards, kiosks and posters are in place in Casino Kam Pek Paradise to improve the awareness of problem gaming among the Group's employees and the casino patrons;

— Staff of Casino Kam Pek Paradise are prohibited at all times from gambling at any gaming venue pursuant to Macau's Law No. 10/2012 (Amended by Law No. 17/2018) Regulating the Conditions of Entering, Working and Gaming at Casinos;

— The Group shall seek suitable opportunities to take part in the events with non-profitable or charitable organisations and academic institutions in Macau to alleviate the adverse social impact as a result of problem gaming;

— Providing our employees with training on responsible gaming as part of their orientation; and

— Assisting our customers in obtaining information about responsible gaming.

The Group did not note any cases of material non-compliance with Macau's Law No. 10/2012 (Amended by Law No. 17/2018) Regulating the Conditions of Entering, Working and Gaming at Casinos during the year ended 31 December 2021.

Service-Related Complaints Received

A complaint-handling mechanism is in place at our operations in Casino Kam Pek Paradise. Upon receiving customers' complaints, the corresponding units will follow up and address such for further improvement in accordance with our complaint record guideline. Our staff are trained to ensure customers' complaints are handled in a timely and effective manner. All customer complaints are handled, responded and undertaken reviews within an appropriate time frame.

During the year ended 31 December 2021, the Group did not receive any significant written complaints relating to our services.

Protection of Intellectual Property Rights

Intellectual property rights are of key value to the Group as they are crucial business assets that will support our continued growth. In order to protect the Group's intellectual property rights, the Group has been registered as the owner of certain patents and trademarks registered in Macau, the PRC, the U.S., etc. To protect the Group's patents and other intellectual property rights from possible infringement by third parties and competitors, the Group regularly monitors to ensure its intellectual properties are not being infringed upon and is ready to take appropriate and immediate actions to protect its interests.

B. SOCIAL (Continued)

B6 Product Responsibility (Continued)

Quality Assurance

The Group always strives to provide high quality services to the patrons by providing safe, clean and comfortable environment to them. There is a monthly departmental meeting among department heads aiming for provision of even better services to the casino patrons.

Data Privacy

The Group understands the importance of data privacy. The Group is committed to protecting the privacy of its customers in collection, processing and use of their personal data. The Group has adopted policies on consumer data protection to ensure that relevant critical IT systems will follow the measures as required by the Macau Cyber Security Law and such systems will be protected by the appropriate security controls within our IT environment.

The Group did not note any cases of material non-compliance with the Personal Data (Privacy) Ordinance of Hong Kong, the Personal Data Protection Act and the Macau Cyber Security Law of Macau in relation to data privacy during the year ended 31 December 2021.

B7 Anti-corruption

The Group believes that honesty, integrity and fairness are of vital importance to its business operations. The Group does not tolerate corruption, bribery, money-laundering and other fraudulent activities in its operations. All employees of the Group are expected to adhere to our standards of ethical, personal and professional conduct serving with integrity and honesty.

Updated training on anti-money laundering, anti-bribery and anti-corruption are provided to Directors and employees from time to time. Moreover, there are whistle-blowing procedures stated in the staff handbook which provides a private communication channel to all staff to report suspicious fraudulent actions to the senior management directly. Review of the effectiveness of the internal control systems is also conducted on a regular basis for prevention of corruption.

The Group did not note any cases of material non-compliance with the relevant Prevention of Bribery Ordinance and Anti-money Laundering Ordinance of Hong Kong and Macau and there was no concluded legal case regarding corruption, extortion, fraud, or money laundering against the Group or its employees during the year ended 31 December 2021.

B8 Community Investment

It is the Group's policy on the community engagement to understand the needs of the communities where the Group operates and to support and sponsor charitable activities where appropriate after taking into consideration of the communities' interests.

For the benefit of the Macau community in advancing arts, culture and sports, the Group has been supporting and sponsoring a variety of activities to attain social harmony. The Group has also set up a showroom for non-gaming attraction known as "Street Steel — Heavy Metal Bike Gallery Macau" in Casino Kam Pek Paradise with more than 20 collectable luxury motorbikes, which is free for public visit. The Group is also dedicated to supporting the advancement of education for young people, helping them establish a strong and solid foundation of their chosen careers. During the year ended 31 December 2021, the Group offered scholarships to eligible students of the Macao Polytechnic University (formerly known as Macao Polytechnic Institute). The Group will continue to look for opportunities to support selected universities and institutions in Macau to develop local talents for the betterment of Macau in advancing its competitiveness in the long run.

Deloitte. 德勤

TO THE SHAREHOLDERS OF PARADISE ENTERTAINMENT LIMITED
(incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Paradise Entertainment Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 78 to 161, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTER

Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of the intangible asset and property, plant and equipment allocated to the cash-generating unit comprising the patent for the computerised gaming system for operating multi-gambling games in Macau (the "Macau Patent CGU")	
We have identified the Group's impairment assessment of the Macau Patent CGU as a key audit matter due to the significant level of management judgment and inherent uncertainty involved in determining the recoverable amounts of the non-current assets allocated to the Macau Patent CGU. As set out in notes 16 and 14 to the consolidated financial statements, as at 31 December 2021, the intangible asset of approximately HK$44.5 million representing a patent for a computerised gaming system to operate multi-gambling games on electronic gaming equipment in certain casinos in Macau, and property, plant and equipment of approximately HK$42.9 million, respectively, are allocated to the Macau Patent CGU. The recoverable amount of the Macau Patent CGU is the estimated value in use determined by the directors of the Company based on the present value of estimated future net cash flows to be generated over the remaining license period and, with reference to the valuation report prepared by an independent professional valuer, which was approved by the directors of the Company. The key assumptions adopted by the directors of the Company in the value in use calculation includes the growth rates of revenue and costs, working capital needs and the pre-tax discount rate. Based on the Group's impairment assessment, no impairment loss was recognised on the Macau Patent CGU for the year ended 31 December 2021.	Our procedures in relation to the impairment assessment of the intangible asset and property, plant and equipment allocated to the Macau Patent CGU included: • Obtaining an understanding of the impairment assessment process used by the directors of the Company and the independent professional valuer to estimate the recoverable amounts based on a value in use calculation; • Assessing the competence, capabilities and objectivity of the independent professional valuer; • Understanding the key assumptions applied to the valuation with reference to available market data; • Assessing the reasonableness of the key assumptions adopted by the directors of the Company in determining the recoverable amount of the Macau Patent CGU, including growth rates of revenue and costs and working capital needs with regards to the Group's strategic plans and changes in market conditions; • Assessing the reasonableness of the pre-tax discount rate applied in the value in use calculation by developing independent expectations for the discount rate based on market data and certain company specific input data, with the involvement of our valuation specialist; • Evaluating the historical accuracy and reasonableness of the value in use calculation by comparing the historical cash flow forecasts with the actual performance of the Macau Patent CGU and; • Evaluating whether the disclosures are appropriately made in accordance with the Hong Kong Accounting Standard ("HKAS") 16 "Property, Plant and Equipment", HKAS 36 "Impairment of Assets" and HKAS 38 "Intangible Assets".

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Au Mei Yin.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
24 March 2022

Consolidated Statement of Profit or Loss

For the year ended 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
Revenue	5	**494,126**	351,739
Cost of sales and services		**(304,190)**	(337,153)
Gross profit		**189,936**	14,586
Other income, gains and losses	7	**5,452**	58,743
Marketing, selling and distribution costs		**(67,533)**	(60,733)
Operating and administrative expenses		**(191,125)**	(181,861)
Amortisation of intangible assets		**(12,138)**	(12,138)
Finance costs	8	**(3,999)**	(3,958)
Share of losses of joint ventures	18	**(8,585)**	(4,348)
Loss before taxation	9	**(87,992)**	(189,709)
Taxation	11	**(375)**	(2,402)
Loss for the year		**(88,367)**	(192,111)
Loss for the year attributable to:			
Owners of the Company		**(86,115)**	(189,152)
Non-controlling interests		**(2,252)**	(2,959)
		(88,367)	(192,111)
Basic loss per share	13	**HK(8.2 cents)**	HK(18.0) cents

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2021

	2021 HK$'000	2020 HK$'000
Loss for the year	**(88,367)**	(192,111)
Other comprehensive income (expense):		
Item that will not be reclassified to profit or loss:		
Fair value loss on investment in equity instruments designated at fair value through other comprehensive income	**–**	(144)
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**1,335**	(3,060)
Other comprehensive income (expense) for the year	**1,335**	(3,204)
Total comprehensive expense for the year	**(87,032)**	(195,315)
Total comprehensive expense for the year attributable to:		
Owners of the Company	**(84,696)**	(192,023)
Non-controlling interests	**(2,336)**	(3,292)
	(87,032)	(195,315)

Consolidated Statement of Financial Position

At 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
Non-current assets			
Property, plant and equipment	14	**261,670**	276,806
Right-of-use assets	15	**19,066**	16,419
Intangible assets	16	**44,505**	56,643
Convertible loan	17	**347**	—
Interests in joint ventures	18	**—**	7,992
Other assets	19	**6,132**	4,996
Pledged bank deposits	23	**30,748**	30,341
		362,468	393,197
Current assets			
Inventories	20	**49,177**	49,856
Trade and other receivables	21	**74,520**	88,073
Amount due from a related company	22	**1,052**	80
Bank balances and cash	24	**64,043**	129,244
		188,792	267,253
Current liabilities			
Trade and other payables	25	**59,425**	66,406
Amounts due to directors	26	**1,740**	1,600
Amounts due to joint ventures	27	**278**	178
Taxation payable		**8,877**	8,830
Bank borrowings — due within one year	28	**9,863**	8,993
Other borrowing — due within one year	29	**69**	—
Lease liabilities	30	**10,256**	11,897
Contract liabilities	31	**10,912**	23,534
		101,420	121,438
Net current assets		**87,372**	145,815
Total assets less current liabilities		**449,840**	539,012
Non-current liabilities			
Bank borrowings — due after one year	28	**119,302**	128,023
Other borrowing — due after one year	29	**381**	—
Lease liabilities	30	**11,130**	4,930
		130,813	132,953
Net assets		**319,027**	406,059

	Notes	2021 HK$'000	2020 HK$'000
Capital and reserves			
Share capital	32	**1,052**	1,052
Reserves		**278,844**	363,540
Equity attributable to owners of the Company		**279,896**	364,592
Non-controlling interests		**39,131**	41,467
		319,027	406,059

The consolidated financial statements on pages 78 to 161 were approved and authorised for issue by the board of directors of the Company on 24 March 2022 and are signed on its behalf by:

JAY CHUN
DIRECTOR

TANG KIU SAM ALICE
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

	Attributable to owners of the Company							
	Share capital HK$'000	Contributed surplus HK$'000 (note)	Investment revaluation reserve HK$'000	Translation reserve HK$'000	Accumulated losses HK$'000	Subtotal HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 31 December 2019	1,052	1,020,504	206	20,109	(485,256)	556,615	51,869	608,484
Loss for the year	–	–	–	–	(189,152)	(189,152)	(2,959)	(192,111)
Other comprehensive expense for the year	–	–	(118)	(2,753)	–	(2,871)	(333)	(3,204)
Total comprehensive expense for the year	–	–	(118)	(2,753)	(189,152)	(192,023)	(3,292)	(195,315)
Reclassification adjustment for amount transferred to accumulated losses upon disposal of investment in equity instruments designated at fair value through other comprehensive income	–	–	(88)	–	88	–	–	–
Dividend recognised as distribution to non-controlling interests (note 34)	–	–	–	–	–	–	(7,110)	(7,110)
At 31 December 2020	1,052	1,020,504	–	17,356	(674,320)	364,592	41,467	406,059
Loss for the year	–	–	–	–	(86,115)	(86,115)	(2,252)	(88,367)
Other comprehensive income (expense) for the year	–	–	–	1,419	–	1,419	(84)	1,335
Total comprehensive income (expense) for the year	–	–	–	1,419	(86,115)	(84,696)	(2,336)	(87,032)
At 31 December 2021	1,052	1,020,504	–	18,775	(760,435)	279,896	39,131	319,027

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	2021 HK$'000	2020 HK$'000
Operating activities		
Loss before taxation	**(87,992)**	(189,709)
Adjustments for:		
Interest income	**(2,142)**	(1,758)
Finance costs	**3,999**	3,958
Amortisation of intangible assets	**12,138**	12,138
Depreciation of property, plant and equipment	**29,203**	46,334
Deprecation of right-of-use assets	**14,923**	13,270
Share of losses of joint ventures	**8,585**	4,348
Loss on disposal/write-off of property, plant and equipment	**89**	9,663
Impairment loss in respect of property, plant and equipment	**—**	5,000
Impairment loss in respect of amount due from a joint venture	**1,891**	—
Gain arising from early termination of lease contracts	**(129)**	—
Loss from change in fair value of convertible loan	**9,653**	—
Loss on acquisition of a subsidiary	**8**	—
Unrealised exchange loss (gain)	**1,644**	(5,658)
Write-down of inventories	**420**	6,703
Covid-19-related rent concessions	**(690)**	(659)
Operating cash flows before movements in working capital	**(8,400)**	(96,370)
Decrease (increase) in inventories	**5,194**	(7,961)
Decrease in trade and other receivables	**16,551**	68,230
(Increase) decrease in amount due from a related company	**(972)**	1,060
Increase in amount due from a joint venture	**(1,032)**	—
Increase (decrease) in amounts due to joint ventures	**100**	(6)
Decrease in trade and other payables	**(6,611)**	(53,943)
(Decrease) increase in contract liabilities	**(12,622)**	13,688
Cash used in operations	**(7,792)**	(75,302)
Lump Sum Dividend Tax paid	**(283)**	(473)
Macau complementary tax paid	**(45)**	(48)
Net cash used in operating activities	**(8,120)**	(75,823)
Investing activities		
Subscription of convertible loan	**(10,000)**	—
Deposits paid for acquisitions of property, plant and equipment	**(3,131)**	(232)
Purchases of property, plant and equipment	**(16,160)**	(11,329)
Placement of pledged bank deposits	**(407)**	(30,341)
Acquisitions of subsidiaries (note 33)	**(330)**	—
Advances to joint ventures	**(859)**	(8,605)
Proceeds from rental deposits refunded	**91**	340
Proceeds on disposal of property, plant and equipment	**362**	652
Interest received	**1,506**	2,530
Proceeds from disposal of investment in equity instruments designated at fair value through other comprehensive income	**—**	1,222
Proceeds from release of pledged bank deposit	**—**	28,800
Payments for rental deposits	**(73)**	—
Net cash used in investing activities	**(29,001)**	(16,963)

Consolidated Statement of Cash Flows (Continued)

For the year ended 31 December 2021

	2021 HK$'000	2020 HK$'000
Financing activities		
Repayment of lease liabilities	**(14,180)**	(12,429)
Repayments of bank borrowings	**(9,685)**	(8,815)
Interest paid	**(4,011)**	(3,967)
Repayments to directors	**—**	(509)
Repayments of other borrowing	**(35)**	—
Advances from directors	**140**	—
Net cash used in financing activities	**(27,771)**	(25,720)
Net decrease in cash and cash equivalents	**(64,892)**	(118,506)
Cash and cash equivalents at beginning of the year	**129,244**	245,612
Effect of foreign exchange rate changes	**(309)**	2,138
Cash and cash equivalents at end of the year, representing bank balances and cash	**64,043**	129,244

1. GENERAL INFORMATION

Paradise Entertainment Limited (the "Company") was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its ultimate holding company is August Profit Investments Limited, a company established in the British Virgin Islands ("BVI"). In the opinion of the directors of the Company, the Company's ultimate controlling party is Mr. Jay Chun, who is also an executive director of the Company. The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section of the annual report.

The Company is an investment holding company of a diverse group of companies that are principally engaged in provision of the casino management services, and the development, sale and leasing of electronic gaming equipment and systems. The principal activities of its principal subsidiaries are set out in note 45.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Company and its subsidiaries (collectively referred to as the "Group") has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2

In addition, the Group has early applied the Amendment to HKFRS 16 "Covid-19-Related Rent Concessions beyond 30 June 2021".

The Group also applied the agenda decision of the IFRS Interpretations Committee of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories.

Except as described below, the application of 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.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

Amendments to HKFRSs that are mandatorily effective for the current year (Continued)

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 year. The amendment extends the availability of the practical expedient in paragraph 46A of HKFRS 16 "Leases" ("HKFRS 16") by one year so that the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met.

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 year. 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$690,000, which has been recognised as negative 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[2]
Amendments to HKFRS 3	Reference to the Conceptual Framework[1]
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)[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[2]
Amendments to HKAS 8	Definition of Accounting Estimates[2]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[2]
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use[1]
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020[1]

1 Effective for annual periods beginning on or after 1 January 2022.
2 Effective for annual periods beginning on or after 1 January 2023.
3 Effective for annual periods beginning on or after a date to be determined.

Except for the amendments to HKFRSs mentioned below, the directors of the Company 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.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

Amendments to HKAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"

The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of HKAS 12 "Income Taxes" so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

As disclosed in note 3 to the consolidated financial statements, the Group applies HKAS 12 requirements to the relevant assets and liabilities separately. Temporary differences on initial recognition of the relevant assets and liabilities are not recognised due to application of the initial recognition exemption.

Upon the application of the amendments, the Group will recognise a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with the right-of-use assets and the lease liabilities.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted. As at 31 December 2021, the carrying amounts of right-of-use assets and lease liabilities which are subject to the amendments amounted to HK$19,066,000 and HK$21,386,000, respectively. The Group is still in the process of assessing the full impact of the application of the amendments.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation of consolidated financial statements

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 Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") and by the Hong Kong Companies Ordinance.

Going concern assessment

The directors of the Company have, at the time of approving the consolidated financial statements, 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 2021, the Group had cash and cash equivalents of HK$64,043,000 and net current assets of HK$87,372,000. The Group has prepared a cash flow forecast which involves making assumptions, judgments and estimations of key input variables pertaining to market conditions including the future economic conditions, increased competition, the regulatory environment, the growth rates of the gaming markets, ongoing travel restrictions in Macau and other jurisdictions and the effect of novel coronavirus pandemic ("Covid-19 Pandemic"). The cash flow forecast has been determined using estimations of future cash flows based upon projected income and expenses of the business, projected capital expenditure and working capital needs for a period of not less than twelve months from 31 December 2021.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1 Basis of preparation of consolidated financial statements (Continued)

Going concern assessment (Continued)

In preparing the cash flow forecast, the directors of the Company have considered the reliance of concession contract between the Macau government and SJM Resorts, Limited (formerly known as Sociedade de Jogos de Macau, S.A., "SJM Resorts") (pursuant to which Casino Kam Pek Paradise is licensed for operation) and the existing service agreement between SJM Resorts and the Group whereby the Group provides casino management services at Casino Kam Pek Paradise and have assessed the possibility of termination/non-renewal of the concession contract and/or the service agreement.

The existing concession contract between the Macau government and SJM Resorts will expire on 26 June 2022, unless extended pursuant to the applicable laws of Macau. If the concession contract is not renewed or extended upon its stated expiration date, the Group may cease to generate any casino management service revenue from the operations of the Group, which is currently the Group's principal source of revenue and may have a material adverse effect on the Group's business, financial condition, results of operations and cash flows. The Group will stay alert to changes in laws, rules, regulations, policies and practices and to adjust business strategic plans to cope with these changes, and will keep close communications with SJM Resorts in this respect. In early March 2022, the Macau government announced that, in view of the Macau gaming laws being reviewed in the legislative process, they would consider the extension of the SJM Resorts' concession contract up to the end of 2022 and such extension is targeted to be completed by 26 June 2022. The directors of the Company are satisfied with the assumption that the concession contract between the Macau government and SJM Resorts and the existing service agreement between SJM Resorts and the Group will be continued and appropriate for the cash flow forecast.

The Group believes it will have sufficient liquidity based upon cash on hand, the expected cash to be used in and generated from operations, terms of the existing bank and other borrowings and access to a loan facility offered by Mr. Jay Chun, the executive director of the Company, to the Group (see note 44) to meet its financial obligations as they fall due for the following twelve months from 31 December 2021.

The consolidated financial statements have been prepared on the historical cost basis except for convertible loan that is measured at fair value at the end of each reporting period, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are accounted for in accordance with HKFRS 16 and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1 Basis of preparation of consolidated financial statements (Continued)

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs are to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

3.2 Significant accounting policies

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive expense are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive expense of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Basis of consolidation (Continued)

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred. At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 and HKAS 19 "Employee Benefits", respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 at the acquisition date;

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that standard; and

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Business combinations

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate. Amounts arising from interest in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income and measured under HKFRS 9 "Financial Instruments" would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Interests in joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of joint ventures are incorporated in the consolidated financial statements using the equity method of accounting. The financial statements of joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture. Changes in net assets of the joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of a joint venture exceeds the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that joint venture.

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss.

When a group entity transacts with a joint venture of the Group, profits and losses resulting from the transactions with the joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the joint venture that are not related to the Group.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Property, plant and equipment

Property, plant and equipment held for supply of goods or services, or for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Ownership interests in leasehold land and building

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "right-of-use assets" in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives, using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Internally-generated intangible assets — research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;

- the intention to complete the intangible asset and use or sell it;

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Intangible assets (Continued)

Internally-generated intangible assets — research and development expenditure (Continued)

- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment on property, plant and equipment, right-of-use assets and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment, right-of-use assets, and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Impairment on property, plant and equipment, right-of-use assets and intangible assets (Continued)

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

The Group transfers an inventory from/to plant and machinery under property, plant and equipment at its carrying amount when there is a change in use to (i) sell in the ordinary course of business for the transfer to inventory; or (ii) hold the plant and machinery for supply of goods or services, or for administrative purposes for the transfer to plant and machinery under property, plant and equipment.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 "Revenue from Contracts with Customers". Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability, and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 "Business Combinations" applies.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. For financial instruments, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the “other income, gains and losses” line item.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and lease receivables subject to impairment assessment under HKFRS 9

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade receivables from gaming operators and customers in relation to sale of electronic gaming equipment and systems, loan receivable, deposits paid and other receivables including chips on hand, amounts due from joint ventures, amount due from a related company, pledged bank deposits and bank balances) and lease receivables which are subject to impairment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-months ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables, amount due from a joint venture in trade nature, amount due from a related company in trade nature and lease receivables.

For all other instruments including other receivables, refundable rental deposits, loan receivable, amounts due from joint ventures in non-trade nature, pledged bank deposits and bank balances, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and lease receivables subject to impairment assessment under HKFRS 9 (Continued)

(i) Significant increase in credit risk (Continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the ability of the debtor to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor; and

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full.

The Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and lease receivables subject to impairment assessment under HKFRS 9 (Continued)

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with HKFRS 16.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and lease receivables subject to impairment assessment under HKFRS 9 (Continued)

(v) Measurement and recognition of ECL (Continued)

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- past-due status;
- nature, size and industry of receivables; and
- external credit ratings where available.

The grouping is regularly reviewed by the management of the Group to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in equity instruments which the Group has elected on initial recognition to measure at FVTOCI upon application of HKFRS 9, the cumulative gain or loss previously accumulated in the investment revaluation reserve is not reclassified to profit or loss, but is transferred to accumulated losses.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities at amortised cost

Financial liabilities (including trade and other payables, amounts due to directors, amounts due to joint ventures, bank borrowings and other borrowing) are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Revenue from contracts with customers (Continued)

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract is accounted for and presented on a net basis.

Warranties

As a customer does not have the option to purchase a warranty which provides assurance that the product complies with agreed-upon specification separately, the Group accounts for the warranty in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets".

Principal versus agent

When another party is involved in providing services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified services itself (i.e. the Group is a principal) or to arrange for those services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified services before that service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified services by another party. In this case, the Group does not control the specified services provided by another party before that services are transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before taxation because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxation entity by the same tax authority.

Current and deferred tax is recognised in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Taxation (Continued)

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to right-of-use assets and lease liabilities separately. Temporary differences on initial recognition of the relevant right-of-use assets and lease liabilities are not recognised due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be use by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operation are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of the translation reserve and will be reclassified from equity to profit or loss on disposal of the foreign operation.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Non-lease components are separated from lease component and are accounted for by applying other applicable standards.

Payments associated with short-term leases of rented premises are recognised on a straight line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Right-of-use assets (Continued)

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses and adjusted for any remeasurement of lease liabilities. Right-of-use assets are depreciated on a straight line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognised as expense in the period in which the event or condition that triggers the payment occurs.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Lease liabilities (Continued)

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Lease modifications

Except for Covid-19-related rent concessions in which the Group applied the practical expedient, the Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability, less any lease incentives receivable, based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Covid-19-related rent concessions

In relation to rent concessions that occurred as a direct consequence of the Covid-19 pandemic, the Group has elected to apply the practical expedient not to assess whether the change is a lease modification if all of the following conditions are met:

- 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 2022; 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 if the changes are 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 Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight line basis over the lease term. Variable lease payments that do not depend on an index or a rate are recognised as income when they arise.

Leasing income which are derived from the Group's ordinary course of business are presented as revenue.

Allocation of consideration to components of a contract

When a contract includes both leases and non-lease components, the Group applies HKFRS 15 to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Leases (Continued)

The Group as a lessor (Continued)

Refundable rental deposits

Refundable rental deposits received are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Lease modification

Changes in considerations of lease contracts that were not part of the original terms and conditions are accounted for as lease modifications, including lease incentives provided through forgiveness or reduction of rentals.

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

Retirement benefit costs

Payments to defined contribution retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries and annual leave) after deducting any amount already paid.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable such grants are presented under “other income, gains and losses”.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, which may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment assessment of the intangible asset and property, plant and equipment allocated to the Macau Patent CGU (as defined in note 16)

In determining whether the intangible asset and property, plant and equipment are impaired requires an estimation of the recoverable amount of the Macau Patent CGU to which these assets are allocated. The Group engages an independent professional valuer to perform the valuation. The recoverable amount is based on the estimated value in use which is the aggregate of present value of estimated future cash flows. The Group has made reasonable estimates and judgments when developing the estimated recoverable amount in light of uncertainties surrounding the Covid-19 Pandemic. Should the actual future cash flows be less than expected, a material impairment loss may arise. Changes in the key assumptions including the growth rates of revenue and costs, working capital needs and the pre-tax discount rate in the cash flow projections, could materially affect the recoverable amounts arising from the current changing in market conditions. Should the effects of the Covid-19 Pandemic persist for a prolonged duration with the related travel restrictions, projected revenues could further decline impacting the financial performance of the Group, the Group could be required to recognise an impairment loss.

Based on the Group's impairment assessment, as the recoverable amount based on value in use of the intangible asset and the related property, plant and equipment allocated to the Macau Patent CGU is estimated to be higher than the carrying amount, no impairment was recognised as at 31 December 2021 (2020: nil).

As at 31 December 2021, the carrying amounts of intangible asset and property, plant and equipment allocated to the Macau Patent CGU are HK$44,505,000 (2020: HK$56,643,000) and HK$42,871,000 (2020: HK$45,539,000), respectively.

5. REVENUE

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

	2021 HK$'000	2020 HK$'000
Casino management services:		
Provision of casino management services, recognised over time	**415,712**	326,396
Gaming systems:		
— Macau		
Sale of electronic gaming equipment and systems, recognised at a point in time	**61,733**	19,308
Leasing of electronic gaming equipment and systems — variable operating lease payments	**2,950**	2,572
	64,683	21,880
— Overseas		
Sale of electronic gaming equipment and systems, recognised at a point in time	**6,519**	1,615
Leasing of electronic gaming equipment and systems — variable operating lease payments	**4,408**	519
	10,927	2,134
— Royalty income, recognised over time	**2,804**	1,329
	78,414	25,343
Total	**494,126**	351,739
Analysis of revenue:		
Recognised over time	**418,516**	327,725
Recognised at a point in time	**68,252**	20,923
Revenue recognition for revenue from contracts with customers	**486,768**	348,648
Leasing income — variable operating lease payments	**7,358**	3,091
Total	**494,126**	351,739

5. REVENUE (Continued)

Performance obligations for contracts with customers

Provision of casino management services

The Group provides management services to gaming operators in Macau under service arrangements for gaming operations in mass market hall and slot machine hall. Such services are recognised as a performance obligation satisfied over time as the Group is entitled to receive its service income according to the relevant operating performance from the gaming operators.

As a practical expedient, the Group does not disclose the information about its remaining obligations in respect of provision of casino management services as the contracts have an original expected duration of one year or less.

The directors of the Company considered that the Group acts as the principal for the casino management service operations with services provided to gaming operators as the Group controls the specified service to be provided by the Group before the service is transferred to a customer.

Sale of electronic gaming equipment and systems

The Group enters into contracts with customers (casino operators) for the sale of electronic gaming equipment and systems include multi-elements as follows:

(a) Procurement and delivery of electronic gaming equipment and systems;

(b) Assist in obtaining the local regulatory approval of the electronic gaming equipment and systems;

(c) On-site installation of the electronic gaming equipment and systems at the casino; and

(d) After sales warranty service from three months to one year.

The directors of the Company considered that these multi-elements are not separately identifiable components and therefore, the revenue on sale of electronic gaming equipment and systems is recognised as sale of goods when the goods are approved by the local regulatory authority, delivered, on-site installation is satisfied as per terms of relevant sale contracts and titles have been passed.

As a practical expedient, the Group does not disclose the information about its remaining obligations in respect of sale of electronic gaming equipment and systems as the contracts have an original expected duration of one year or less.

Royalty income

Royalty income is recognised and based on sale and other measures by reference to the agreement for the placement of the relevant products in accordance with the substance of the relevant agreement.

As a practical expedient, the Group does not disclose the information about its remaining obligations in respect of royalty income as the contracts have an original expected duration of one year or less.

6. SEGMENT INFORMATION

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

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

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 taxation. This is the measure reported to the CODM for the purposes of resource allocation and assessment of segment performance.

6. SEGMENT INFORMATION (Continued)

Segment revenue and results

Information regarding the above segments is reported below:

For the year ended 31 December 2021

	Casino management services HK$'000	Gaming systems HK$'000	Unallocated HK$'000	Consolidated HK$'000
Segment revenue	415,712	78,414		494,126
Segment results	8,482	(34,818)		(26,336)
Unallocated corporate income				9,163
Unallocated corporate expenses				(58,235)
Finance costs				(3,999)
Share of losses of joint ventures				(8,585)
Loss before taxation				(87,992)
Taxation				(375)
Loss for the year				(88,367)
Other information				
Capital expenditure	6,674	16,462	10,016	33,152
Amortisation of intangible assets	12,138	—	—	12,138
Depreciation of property, plant and equipment	17,875	9,735	1,593	29,203
Depreciation of right-of-use assets	4,430	4,378	6,115	14,923
Loss on disposal/write-off of property, plant and equipment	—	89	—	89
Loss from change in fair value of convertible loan	—	—	9,653	9,653
Impairment loss in respect of amount due from a joint venture	—	—	1,891	1,891
Write-down of inventories	—	316	104	420

6. SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

For the year ended 31 December 2020

	Casino management services HK$'000	Gaming systems HK$'000	Unallocated HK$'000	Consolidated HK$'000
Segment revenue	326,396	25,343		351,739
Segment results	(126,724)	(84,633)		(211,357)
Unallocated corporate income				60,848
Unallocated corporate expenses				(30,894)
Finance costs				(3,958)
Share of losses of joint ventures				(4,348)
Loss before taxation				(189,709)
Taxation				(2,402)
Loss for the year				(192,111)
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	—	6,703	—	6,703

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

6. SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

Geographical information

The Group's operations are principally located in Macau and the United States of America ("U.S.").

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

	2021 **HK$'000**	2020 HK$'000
Macau	**480,395**	348,276
U.S.	**13,731**	3,463
	494,126	351,739

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

Information about major customers

During the year ended 31 December 2021, revenue derived from one (2020: one) customer, which individually contributed over 10% of the Group's revenue, is as follows:

	2021 **HK$'000**	2020 HK$'000
Casino management services segment	**415,712**	303,141
Gaming systems segment	**30,505**	—
	446,217	303,141

7. OTHER INCOME, GAINS AND LOSSES

	2021 HK$'000	2020 HK$'000
Bank interest income	**1,156**	927
Interest on loan receivable	**623**	831
Interest on convertible loan	**363**	—
	2,142	1,758
Impairment loss in respect of amount due from a joint venture	**(1,891)**	—
Impairment loss in respect of property, plant and equipment	**—**	(5,000)
Unrealised exchange (loss) gain	**(1,644)**	5,658
Loss from change in fair value of convertible loan (note 17)	**(9,653)**	—
Loss on disposal/write-off of property, plant and equipment	**(89)**	(9,663)
Gain arising from early termination of lease contracts	**129**	—
Government subsidies (Note a)	**1,114**	2,566
Loss on acquisition of a subsidiary	**(8)**	—
Procurement service income (Note b)	**—**	53,883
Sales of frozen food and products	**4,993**	—
Sales of high-tech healthcare innovative products	**2,723**	—
Rental income — fixed lease payment (Note c)	**4,430**	5,694
Sundry income	**3,206**	3,847
	5,452	58,743

Notes:

(a) The government subsidies mainly represent the subsidies on Covid-19-related subsidies with no special and unfulfilled conditions attached.

(b) During the year ended 31 December 2020, the Group provided procurement services for overseas customers and recognised net service income of HK$53,883,000.

(c) The amount of rental income mainly represents sublease of certain areas of the leased premises mainly for shops and restaurants.

8. FINANCE COSTS

	2021 HK$'000	2020 HK$'000
Interest on:		
— bank borrowings	**3,240**	3,404
— lease liabilities	**759**	554
	3,999	3,958

9. LOSS BEFORE TAXATION

	2021 HK$'000	2020 HK$'000
Loss before taxation has been arrived at after charging:		
Directors' emoluments (note 10)	**16,283**	21,395
Other staff costs		
— Salaries and other benefits	**120,071**	132,863
— Retirement benefit scheme contributions	**3,254**	2,225
Total staff costs	**139,608**	156,483
Auditor's remuneration	**2,180**	2,480
Cost of inventories recognised as expenses (included in cost of sales and services and operating and administrative expenses)	**26,069**	9,001
Depreciation of property, plant and equipment	**29,203**	46,334
Depreciation of right-of-use assets	**14,923**	13,270
Commission expenses for casino management services (included in marketing, selling and distribution costs)	**31,510**	27,797
Impairment loss in respect of amount due from a joint venture (included in other income, gains and losses)	**1,891**	—
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)	**89**	9,663
Research and development expenditure (note) (included in operating and administrative expenses)	**69,656**	83,152
Loss from change in fair value of convertible loan (included in other income, gains and losses)	**9,653**	—
Write-down of inventories (included in cost of sales and services)	**420**	6,703
Unrealised exchange loss (included in other income, gains and losses)	**1,644**	—
and after crediting:		
Unrealised exchange gain (included in other income, gains and losses)	**—**	5,658
Covid–19-related rent concessions (note 15)	**690**	659

Note: Research and development expenditure for the year ended 31 December 2021 of HK$69,656,000 (2020: HK$83,152,000) includes staff costs of HK$40,783,000 (2020: HK$47,973,000), depreciation of property, plant and equipment of HK$1,457,000 (2020: HK$1,548,000) and depreciation of right-of-use assets of HK$3,088,000 (2020: HK$3,176,000) which are included in the respective total amounts disclosed separately above.

10. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

The emoluments of the directors of the Company and chief executive of the Group during the year are analysed as follows:

	Executive Directors			Independent non-executive directors			
	Mr. Jay Chun (chief executive) HK$'000	Mr. Shan Shiyong, alias, Sin Sai Yung HK$'000	Mr. Hu Liming (note) HK$'000	Mr. Li John Zongyang HK$'000	Mr. Kai-Shing Tao HK$'000	Ms. Tang Kiu Sam Alice HK$'000	Total HK$'000
2021							
Fees	**—**	**—**	**—**	**120**	**120**	**120**	**360**
Salaries and other benefits	**12,144**	**2,400**	**47**	**—**	**—**	**—**	**14,591**
Discretionary bonuses	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Accommodation benefits	**1,320**	**—**	**—**	**—**	**—**	**—**	**1,320**
Retirement benefit scheme contributions	**12**	**—**	**—**	**—**	**—**	**—**	**12**
	13,476	**2,400**	**47**	**120**	**120**	**120**	**16,283**
2020							
Fees	—	—	—	180	180	180	540
Salaries and other benefits	12,134	7,200	180	—	—	—	19,514
Discretionary bonuses	—	—	—	—	—	—	—
Accommodation benefits	1,320	—	—	—	—	—	1,320
Retirement benefit scheme contributions	12	9	—	—	—	—	21
	13,466	7,209	180	180	180	180	21,395

Note: Retired on 21 May 2021.

The Executive Directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group. The emoluments of independent non-executive directors shown above were for their services as directors of the Company.

No emoluments were recognised or paid by the Group to the directors as compensation for loss of office or as an inducement to join or upon joining the Group for both years. None of the director has waived any emoluments during both years.

No consideration was provided to or receivable by third parties for making available directors' services during the year ended 31 December 2021 (2020: nil).

10. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Continued)

During the year ended 31 December 2021, there was no arrangement in relation to loans, quasi-loans and other dealings between the Group and the directors (including any entities controlled by or connected with such directors) (2020: nil).

Save as disclosed under the section headed "Connected Transactions" in the directors' report of the annual report and in notes 22 and 41 to the consolidated financial statements, no transactions, arrangement and contracts of significance to which the Group was a party and in which any director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2020: nil).

The five highest paid individuals of the Group include two directors of the Company for both years, whose emoluments are disclosed above and the total emoluments of the remaining three individuals for both years were as follows:

	2021	2020
	HK$'000	HK$'000
Salaries and other benefits	**7,841**	7,991
Discretionary bonuses	**—**	103
Retirement benefit scheme contributions	**87**	39
	7,928	8,133

	Number of individuals	
	2021	2020
Emoluments of the remaining three employees were within the following bands:		
HK$1,500,001 — HK$2,000,000	**1**	1
HK$2,000,001 — HK$2,500,000	**1**	1
HK$3,500,001 — HK$4,000,000	**1**	1

No emoluments were recognised or paid by the Group to the five highest paid individuals (including directors and employees) as compensation for loss of office or as an inducement to join or upon joining the Group for both years.

11. TAXATION

	2021 HK$'000	2020 HK$'000
Macau Complementary Tax		
— current year	**–**	2,000
— (overprovision) underprovision in respect of prior years	**(1)**	48
	(1)	2,048
Lump Sum Dividend Tax	**376**	377
People's Republic of China ("PRC") Enterprise Income Tax		
— current year	**–**	11
— overprovision in respect of prior years	**–**	(34)
	–	(23)
Taxation charge	**375**	2,402

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 prior year. No provision for Macau CT was made in the consolidated financial statements for the year ended 31 December 2021 as the Group did not generate any assessable profits for current year.

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 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) Macau Pataca ("MOP") 97,000 (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$376,000) 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 periods. For the year ended 31 December 2021, provision for taxation of HK$376,000 (2020: HK$377,000) has been recognised which was charged to the consolidated statement of profit or loss.

11. TAXATION (Continued)

PRC Enterprise Income Tax for operating subsidiaries established in the PRC is calculated at PRC Enterprise Income Tax rate of 25% prevailing in the PRC on the assessable profit for prior year. No provision for PRC Enterprise Income Tax was made in the consolidated financial statements for the year ended 31 December 2021 as the Group did not generate any assessable profit for current year. No provision for taxation for overseas subsidiaries, except for those incorporated in Macau and the PRC, has been made as the Group has no assessable taxable profits arising from operations outside Macau and the PRC.

The taxation charge for the year can be reconciled to the loss before taxation per consolidated statement of profit or loss as follows:

	2021 **HK$'000**	2020 HK$'000
Loss before taxation	**(87,992)**	(189,709)
Tax credit at the Macau CT rate of 12%	**(10,559)**	(22,765)
Tax effect of expenses not deductible for tax purposes	**55,209**	58,772
Tax effect of income not taxable for tax purposes	**(53,424)**	(36,406)
Tax effect of tax losses not recognised	**8,774**	2,808
Utilisation of tax losses previously not recognised	**—**	(398)
Lump Sum Dividend Tax	**376**	377
(Overprovision) underprovision in respect of prior years	**(1)**	14
Taxation charge for the year	**375**	2,402

At 31 December 2021, the Group had unused tax losses of HK$267,086,000 (2020: HK$198,050,000) available to offset against future taxable profits which may be carried forward indefinitely except for (i) HK$79,915,000 (2020: HK$79,470,000) which was derived from Macau and (ii) HK$60,501,000 (2020: HK$33,460,000) which was derived from the PRC, with expiry dates as disclosed in the following table. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future taxable profit streams.

	Macau		**The PRC**	
	2021 **HK$'000**	2020 HK$'000	**2021** **HK$'000**	2020 HK$'000
2021	**—**	4,081	**—**	—
2022	**364**	364	**3,979**	3,979
2023	**75,025**	75,025	**7,620**	7,620
2024	**4,526**	—	**8,089**	8,089
2025	**—**	—	**13,772**	13,772
2026	**—**	—	**27,041**	—
	79,915	79,470	**60,501**	33,460

12. DIVIDEND

No dividend was paid to the owners of the Company during the years ended 31 December 2021 and 31 December 2020. The directors of the Company determined that no dividend will be declared, proposed or paid for both years.

13. LOSS PER SHARE

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

	2021	2020
	HK$'000	HK$'000
Loss		
Loss for the year attributable to owners of the Company for the purposes of calculating basic loss per share	**(86,115)**	(189,152)

	2021	2020
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purposes of calculating basic loss per share	**1,052,185**	1,052,185

For the years ended 31 December 2021 and 31 December 2020, no diluted loss per share were presented as there were no dilutive potential ordinary shares.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST						
At 1 January 2020	228,552	203,666	311,371	48,176	13,417	805,182
Currency realignment	—	226	27	317	—	570
Additions	—	7,553	6,044	972	280	14,849
Transfer from inventories	—	—	12,947	—	—	12,947
Disposals/write-off	—	(36,118)	(16,848)	(2,711)	—	(55,677)
At 31 December 2020	228,552	175,327	313,541	46,754	13,697	777,871
Currency realignment	—	11	11	74	—	96
Additions	—	156	13,723	1,181	—	15,060
Acquisition of a subsidiary	—	1,955	654	—	288	2,897
Transfer to inventories	—	—	(4,745)	—	—	(4,745)
Disposals/write-off	—	(119)	(15,142)	(87)	—	(15,348)
At 31 December 2021	228,552	177,330	308,042	47,922	13,985	775,831
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
At 1 January 2020	6,399	180,602	259,647	40,487	7,654	494,789
Currency realignment	—	74	19	211	—	304
Provided for the year	7,405	13,910	20,761	2,305	1,953	46,334
Impairment loss recognised in profit and loss	—	—	5,000	—	—	5,000
Eliminated on disposal/write-off	—	(28,860)	(14,767)	(1,735)	—	(45,362)
At 31 December 2020	13,804	165,726	270,660	41,268	9,607	501,065
Currency realignment	—	10	8	53	—	71
Provided for the year	7,405	4,160	13,628	1,947	2,063	29,203
Transfer to inventories	—	—	(1,281)	—	—	(1,281)
Eliminated on disposal/write-off	—	(30)	(14,780)	(87)	—	(14,897)
At 31 December 2021	21,209	169,866	268,235	43,181	11,670	514,161
CARRYING AMOUNTS						
At 31 December 2021	207,343	7,464	39,807	4,741	2,315	261,670
At 31 December 2020	214,748	9,601	42,881	5,486	4,090	276,806

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

The above items of property, plant and equipment are depreciated so as to write off the cost of assets less their residual values over their useful lives, using the straight line basis at the following rates per annum:

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

As at 31 December 2021, an aggregate amount of HK$441,445,000 (2020: HK$428,757,000) included in the cost of property, plant and equipment is fully depreciated.

The Group is the registered owner of certain property interests in Macau, including the underlying leasehold lands. Lump sum payments were made upfront to acquire these property interests.

At the end of the reporting period, the Group assessed certain property, plant and equipment with net carrying amount of HK$42,871,000 (2020: HK$45,539,000), allocated to the Macau Patent CGU, for impairment having regard to the market conditions in Macau. The details of the determination of the recoverable amounts of the assets allocated to the Macau Patent CGU are disclosed in note 16.

During the year ended 31 December 2021, the Group disposed of/wrote off certain property, plant and equipment with an aggregate carrying amount of HK$451,000 (2020: HK$10,315,000) for cash proceeds of HK$362,000 (2020: HK$652,000), resulting in a loss on disposal/write-off of HK$89,000 (2020: HK$9,663,000).

The Group ceased to provide casino management services in Casino Waldo with effect from 1 March 2020. The directors of the Company conducted an impairment assessment of certain property, plant and equipment placed at the Casino Waldo by reviewing their recoverable amounts. Based on the impairment assessment, as the recoverable amounts based on value in use were estimated to be less than their carrying amounts, their carrying amounts are required to be reduced to their recoverable amounts as at 31 December 2020. Since the recoverable amount based on value in use of these property, plant and equipment placed at the Casino Waldo is estimated to be lower than the carrying amount, an impairment loss of HK$5,000,000 was recognised in the consolidated financial statements during the year ended 31 December 2020.

The Group transfers an inventory from/to plant and machinery under property, plant and equipment at its carrying amount when there is a change in use to (i) sell in the ordinary course of business for transfer to inventory; or (ii) hold the plant and machinery for supply of goods or services, or for administrative purposes for transfer to plant and machinery under property, plant and equipment.

The Group leases out a number of electronic gaming equipment and systems in the category of plant and machinery, under operating leases with rentals payable monthly without fixed lease term. All these lease payments are variable based on a predetermined percentage of the gross gaming revenue or daily fee without fixed lease term through use of the electronic gaming equipment and systems by customers.

As at 31 December 2021, the carrying amount of the electronic gaming equipment and systems under operating leases included within plant and machinery is HK$9,385,000 (2020: HK$4,379,000).

15. RIGHT-OF-USE ASSETS

	Rented premises HK$'000	Motor vehicles HK$'000	Total HK$'000
COST			
At 1 January 2020	28,700	268	28,968
Currency realignment	525	—	525
Additions	10,960	402	11,362
At 31 December 2020	40,185	670	40,855
Currency realignment	31	—	31
Additions	15,686	2,406	18,092
Acquisition of a subsidiary	3,839	—	3,839
Early termination of lease contracts	(18,939)	—	(18,939)
At 31 December 2021	40,802	3,076	43,878
DEPRECIATION			
At 1 January 2020	10,767	108	10,875
Currency realignment	291	—	291
Provided for the year	13,113	157	13,270
At 31 December 2020	24,171	265	24,436
Currency realignment	69	—	69
Early termination of lease contracts	(14,616)	—	(14,616)
Provided for the year	14,218	705	14,923
At 31 December 2021	23,842	970	24,812
CARRYING AMOUNTS			
At 31 December 2021	16,960	2,106	19,066
At 31 December 2020	16,014	405	16,419

15. RIGHT-OF-USE ASSETS (Continued)

	2021 HK$'000	2020 HK$'000
Short-term lease rentals in respect of rented premises and a motor vehicle	**19,678**	17,970
Variable lease rentals in respect of rented premises which are not included in lease liabilities	**24,157**	18,277
Total cash outflow for leases	**58,774**	49,230

For both years, the Group leases rented premises and motor vehicles for its operations. Lease contracts are entered into for fixed terms of 1 year to 5 years (2020: 1 years to 4 years). The leases are either only with fixed lease payments or contain variable lease payments that are based on the amount charged by the lessor on monthly actual reimbursement basis during the fixed term.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The Group regularly entered into short-term leases for rented premises and a motor vehicle. As at 31 December 2021 and 2020, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

Rent concessions

During the year ended 31 December 2021, lessors of various office premises, a warehouse and staff quarters provided rent concessions to the Group through rent reductions ranging from 20% to 24% (2020: 10% to 100%) over eight to ten months.

These were rent concessions occurred as a direct consequence of 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$690,000 (2020: HK$659,000) were recognised as negative variable lease payments.

16. INTANGIBLE ASSETS

	Macau Patent-Betting terminal system HK$'000	U.S. Patent-Betting terminal system HK$'000	Total HK$'000
COST			
At 1 January 2020, 31 December 2020 and 31 December 2021	182,066	657,535	839,601
ACCUMULATED AMORTISATION AND IMPAIRMENT			
At 1 January 2020	113,285	657,535	770,820
Provided for the year	12,138	—	12,138
At 31 December 2020	125,423	657,535	782,958
Provided for the year	12,138	—	12,138
At 31 December 2021	137,561	657,535	795,096
CARRYING AMOUNTS			
At 31 December 2021	44,505	—	44,505
At 31 December 2020	56,643	—	56,643

The Macau patent pertains to a computerised gaming system (the "Gaming System") for operating multi-gambling games. The Gaming System was installed on the electronic gaming equipment which operates in Casino Kam Pek Paradise and other casinos in Macau. The Group generates revenue from the provision of casino management services with the Gaming System installed on the electronic gaming equipment, and the sale and leasing of electronic gaming equipment installed with the Gaming System in Macau. The patent is amortised over its useful life of 15 years using the straight line method.

At the end of the reporting period, the Group assessed for impairment by considering the recoverable amount of the patent as well as certain property, plant and equipment, allocated to the single cash-generating unit comprising the patent for the computerised gaming system for operating multi-gambling game in Macau (the "Macau Patent CGU"), having regard to the market conditions in Macau. The recoverable amount of the Macau Patent CGU is the value in use of the Macau Patent CGU based on the present value of estimated future cash flows to be generated over the remaining license period and with reference to the valuation report prepared by an independent professional valuer, International Valuation Limited, which was approved by the directors of the Company. The valuation of intangible asset and property, plant and equipment in relation to patent is assessed by comparing the recoverable amount of the Macau Patent CGU to their carrying amounts at the end of each reporting period. Based on the Group's impairment assessment, as the recoverable amount based on value in use of Macau Patent CGU is estimated to be higher than the carrying amount, no impairment loss was recognised on the intangible asset allocated to the Macau Patent CGU for the years ended 31 December 2021 and 31 December 2020.

16. INTANGIBLE ASSETS (Continued)

Key assumptions adopted by the management of the Group in the value in use calculation for the recoverable amount of the Macau Patent CGU are as follows:

- Growth rates of revenue and costs ranging from 14.0% to 15.0% (2020: 2.0% to 64.0%) and 3.0% to 6.0% (2020: 0% to 2.0%), respectively, per annum are applied in the profit or loss projection for the remaining license period.

- Pre-tax discount rate of 16.0% (2020: 15.8%) is adopted based on the analysis performed by an independent professional valuer which reflects current market assessments of the time value of money and the risks specific to the Macau Patent CGU.

17. CONVERTIBLE LOAN

On 1 May 2021, Tong Sin Catering And Import & Export Group Company Limited ("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 Management Restaurant Company Limited ("Shuang Zuan"), a joint venture of Tong Sin, at a principal amount of HK$10,000,000. 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").

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, at its option 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. The Group regularly monitors the business and financial performance of Shuang Zuan and expects to continue receiving interest from the Convertible Loan and Tong Sin may consider exercising the conversion option of the Convertible Loan on the Maturity Date depending on the then financial positions of Shuang Zuan and the Group.

The fair value of the Convertible Loan as at 31 December 2021 has been assessed with reference to a valuation carried out by an independent professional valuer. The fair value of conversion option of the Convertible Loan is insignificant on the initial date of recognition and 31 December 2021.

During the year ended 31 December 2021, especially in the second half of the year, the Covid-19 Pandemic situations in Macau, Hong Kong as well as other parts of the world fluctuated significantly or deteriorated mainly due to the evolution of new virus variants which in turn causing various social distancing measures and cross-border travel controls being tightened. All these have severely affected the food and beverage businesses in Macau. In view of the unprecedented challenges arising from and the uncertain development of the Covid-19 Pandemic, the directors of the Company assessed the fair value of the Convertible Loan with the assistance of the independent professional valuer as at 31 December 2021 and determined a loss from change in fair value of the Convertible Loan of HK$9,653,000 which was recognised in the consolidated financial statements of the Group for the year ended 31 December 2021.

17. CONVERTIBLE LOAN (Continued)

Movement in the Convertible Loan during the year ended 31 December 2021 is as below:

	HK$'000
Completion of subscription on 1 May 2021	10,000
Change in fair value recognised in profit or loss	(9,653)
At 31 December 2021	347

18. INTERESTS IN JOINT VENTURES

Details of the Group's investments in joint ventures at the end of the reporting period are as follows:

	2021	2020
	HK$'000	HK$'000
Cost of investments in joint ventures	**–**	24
Share of post-acquisition losses	**–**	(20)
	–	4
Amounts due from joint ventures	**8,585**	14,465
Less: share of post-acquisition losses that are in excess of the cost of the investments	**(8,585)**	(6,477)
	–	7,992

Movements in investments in joint ventures are as below:

	2021	2020
	HK$'000	HK$'000
At 1 January	**7,992**	3,540
Reduction on acquisitions of additional equity interests in joint ventures which become subsidiaries (note 33)	**(7,992)**	–
Addition from acquisitions of subsidiaries (note 33)	**8,585**	–
Share of post-tax losses	**(8,585)**	(4,348)
Addition	**–**	8,800
At 31 December	**–**	7,992

18. INTERESTS IN JOINT VENTURES (Continued)

As at 31 December 2021, amount due from a joint venture of HK$8,585,000 (2020: amounts due from joint ventures of HK$14,465,000) before share of losses of the joint venture(s) is considered as part of the long-term interest that, in substance, forms part of the Group's investment in the joint venture(s). The amounts due from joint ventures are unsecured, interest-free, and have no fixed terms of repayment.

In addition, amounts due from a joint venture with gross carrying amounts of HK$1,032,000 (2020: nil) in trade nature and HK$859,000 (2020: nil) in non-trade nature, do not form part of the long-term interest in the joint venture as at 31 December 2021, both of which are credit-impaired and impairment allowances based on lifetime ECL of HK$1,032,000 and HK$859,000 are provided for the trade and non-trade amounts respectively during the year ended 31 December 2021. The amounts are unsecured, and interest-free.

Details of impairment assessment of amounts due from joint ventures for the year ended 31 December 2021 are set out in note 39.

Details of each of the Group's joint ventures at the end of the reporting period are as follows:

Name of entity	Place of incorporation/ registration	Principal place of business	Proportion of ownership interests and voting rights held by the Group 2021	2020	Principal activities
Shuang Zuan	Macau	Macau	**50%**	N/A	Management and operation of food and beverage businesses in Macau
Tong Sin	Macau	Macau	**N/A (note (ii))**	50%	Note (i)
Bigger A Import And Export Trade Limited ("Bigger A")	Macau	Macau	**N/A (note (ii))**	50%	Inactive

Notes:

(i) Business of importing, exporting and sale of frozen food products and packaged meats; and investment of 50% equity interest in Shuang Zuan.

(ii) On 11 January 2021, the Group further acquired the remaining 50% equity interests in both Tong Sin and Bigger A. Since then, Tong Sin and Bigger A have become indirect wholly-owned subsidiaries of the Company.

In the opinion of the directors of the Company, the joint ventures are not material to the Group for the year ended 31 December 2020 and no disclosure of their financial information was considered necessary.

Summarised financial information in respect of the Group's material joint venture for the year ended 31 December 2021 is set out below. The summarised financial information below represents amounts shown in Shuang Zuan's financial statements prepared in accordance with HKFRS.

18. INTERESTS IN JOINT VENTURES (Continued)

	2021 HK$'000
Current assets	**4,495**
Non-current assets	**53,033**
Current liabilities	**56,162**
Non-current liabilities	**32,493**
The above amounts of assets and liabilities include the following:	
Cash and cash equivalents	**3,265**
Current financial liabilities (excluding trade and other payables and provisions)	**38,912**
Non-current financial liabilities (excluding trade and other payables and provisions)	**–**
Revenue	**18,100**
Loss for the year	**17,170**

18. INTERESTS IN JOINT VENTURES (Continued)

Reconciliation of the above summarised financial information to the carrying amount of the interests in Shuang Zuan recognised in the consolidated financial statements is as follows:

	2021 HK$'000
Net liabilities of Shuang Zuan	(31,127)
Proportion of the Group's ownership interests in Shuang Zuan	50%
	(15,563)
Adjusted Group's ownership interests due to the share of losses of Shuang Zuan recognised only up to Group's interests in Shuang Zuan	(8,585)
Add: Amount due from the joint venture	8,585
Carrying amount of the Group's interests in Shuang Zuan	–

The cumulative unrecognised share of loss of Shuang Zuan as at 31 December 2021 is HK$6,978,000 (2020: nil).

19. OTHER ASSETS

	2021 HK$'000	2020 HK$'000
Deposits paid for acquisitions of property, plant and equipment	4,833	2,851
Rental deposits	1,299	2,145
	6,132	4,996

20. INVENTORIES

	2021 HK$'000	2020 HK$'000
Consumables	34,577	31,394
Trading goods	14,600	18,462
	49,177	49,856

21. TRADE AND OTHER RECEIVABLES

	2021	2020
	HK$'000	HK$'000
Trade receivables (note i)	**26,518**	35,183
Chips on hand (note ii)	**10,612**	13,529
Deposits paid	**16,866**	18,690
Loan receivable (note iii)	**7,799**	7,799
Other receivables	**5,763**	4,062
Prepayments	**6,962**	8,810
	74,520	88,073

Notes:

(i) As at 1 January 2020, the carrying amount of trade receivables from contracts with customers was HK$57,155,000.

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

As at 31 December 2021, trade receivables of HK$26,518,000 (2020: HK$35,183,000) comprised receivables from contracts with customers and lease receivables of HK$26,479,000 (2020: HK$33,943,000) and HK$39,000 (2020: HK$1,240,000), 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$24,683,000 (2020: HK$33,391,000), which are not past due. The directors of the Company 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.

As at 31 December 2021, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$1,835,000 (2020: HK$1,792,000) which are past due as at the reporting date. Out of the past due balances at 31 December 2020, HK$59,000 was past due 90 days or more and was not considered as in default based on historical repayment pattern from the specific debtors. The Group does not hold any collateral over these balances.

As at 31 December 2021, 93.1% (2020: 95.0%) of the trade receivables that are not credit-impaired have the best credit scoring attributable under the internal credit scoring system used by the Group.

21. TRADE AND OTHER RECEIVABLES (Continued)

Notes: (Continued)

(i) (Continued)

The 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:

	2021 **HK$'000**	2020 HK$'000
Age:		
0–30 days	**24,683**	33,391
31–60 days	**5**	330
61–90 days	**1,830**	1,403
91–180 days	**–**	26
181–365 days	**–**	33
	26,518	35,183

(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 (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 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 2022 (2020: 5 October 2021). At 31 December 2021, an amount of the interest receivable of HK$988,000 (2020: HK$365,000) accrued from the loan was included in other receivables.

Details of impairment assessment of trade and other receivables for the year ended 31 December 2021 are set out in note 39.

22. AMOUNT DUE FROM A RELATED COMPANY

	As at 1 January 2020 HK$'000	As at 31 December 2021 HK$'000	2020 HK$'000	Maximum amount outstanding during the year 2021 HK$'000	2020 HK$'000
Empire Technological Group Limited (note)	512	**1,052**	80	**1,052**	821
LT Game International Pty Limited (note)	628	**—**	—	**—**	628
	1,140	**1,052**	80		

Note: These companies are wholly-owned by the brother-in-law of Mr. Jay Chun, an executive director of the Company.

The amount due from a related company is trade in nature, unsecured and interest-free. The amounts of HK$1,052,000 (2020: HK$80,000) are aged within 0 to 30 days based on invoice date. The balance is not credit-impaired at the end of the reporting period.

23. PLEDGED BANK DEPOSITS

	2021 HK$'000	2020 HK$'000
Non-current portion		
Bank deposit pledged:		
— in favour of SJM Resorts for Group's fulfilment of certain obligations (Note (i))	**30,420**	30,000
— in favour of a landlord to secure a right-of-use asset (Note (ii))	**328**	341
	30,748	30,341

Notes:

(i) As at 31 December 2021, an amount of HK$30,420,000 (2020: HK$30,000,000) represented a bank deposit to secure a bank facility granted by a bank to a subsidiary of the Company. The bank facility represented a bank guarantee amounting to MOP47,082,000 (equivalent to HK$45,711,000) (2020: MOP47,082,000 (equivalent to HK$45,711,000)) for the period from 1 April 2020 to 30 June 2023 which was in favour of SJM Resorts for the Group's fulfilment of all its obligations, in particular for reimbursement by the Group to SJM Resorts of the employee's salaries and benefits for those gaming operation employees employed by SJM Resorts who work for the casino under the management of the Group, 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.

(ii) As at 31 December 2021, an amount of HK$328,000 (2020: HK$341,000) represented a bank deposit to secure a bank guarantee granted to a subsidiary of the Company. The bank guarantee was in favour of a landlord to secure a right-of-use asset of HK$482,000 (2020: HK$977,000) at 31 December 2021 for a subsidiary of the Company.

Pledge bank deposits carry fixed interest rates ranging from 0.4% to 1.45% (2020: at 1.4% to 1.6%) per annum.

24. BANK BALANCES AND CASH

Bank balances carry interest at market rates ranging from 0.01% to 1.12% (2020: 0.01% to 0.96%) per annum.

25. TRADE AND OTHER PAYABLES

	2021 **HK$'000**	2020 HK$'000
Trade payables	**4,536**	5,604
Accrued staff costs	**21,361**	24,375
Accrued promotional expenses	**14,444**	18,105
Deposits received	**680**	915
Payable for acquisition of property, plant and equipment	**5,369**	6,217
Other sundry payables	**9,399**	7,170
Other accrued expenses	**3,636**	4,020
	59,425	66,406

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

	2021 **HK$'000**	2020 HK$'000
Age:		
0–30 days	**3,113**	3,995
31–60 days	**97**	89
61–90 days	**49**	31
91–365 days	**325**	729
Over 365 days	**952**	760
	4,536	5,604

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

26. AMOUNTS DUE TO DIRECTORS

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

27. AMOUNTS DUE TO JOINT VENTURES

The amounts due to joint ventures are trade in nature, unsecured and non-interest bearing. The amounts are aged within 0 to 30 days based on invoice date.

28. BANK BORROWINGS

	2021 **HK$'000**	2020 HK$'000
Bank borrowings		
Secured bank mortgage loans (note i)	**127,978**	137,016
Unsecured bank loan (note ii)	**1,187**	—
	129,165	137,016
The bank borrowings are repayable as follows*:		
Within one year	**9,863**	8,993
Within a period of more than one year but not exceeding two years	**9,981**	9,214
Within a period of more than two years but not exceeding five years	**29,739**	29,021
Within a period of more than five years	**79,582**	89,788
	129,165	137,016
Less: Amounts due within 12 months shown under current liabilities	**(9,863)**	(8,993)
Amounts due after 12 months shown under non-current liabilities	**119,302**	128,023

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

Notes:

(i) At 31 December 2021, the bank mortgage loans carried interest at the Lending Prime Rate ("Prime Rate") as quoted by the lending banks from time to time minus 2.85% (2020: Prime Rate minus 2.85%) per annum. The effective interest rate of the bank borrowings was 2.40% (2020: 2.40%) per annum.

At 31 December 2021, the bank borrowings were secured by mortgages over the Group's leasehold land and buildings with an aggregate carrying amount of HK$207,343,000 (2020: HK$214,748,000). The bank borrowings are denominated in MOP and HK$.

(ii) At 31 December 2021, the unsecured bank loan carried a fixed interest rate of 4% per annum.

29. OTHER BORROWING

	2021 HK$'000	2020 HK$'000
Unsecured other borrowing	**450**	—

The other borrowing is repayable as follows*:

	2021 HK$'000	2020 HK$'000
Within one year	**69**	—
Within a period of more than one year but not exceeding two years	**69**	—
Within a period of more than two years but not exceeding five years	**208**	—
Within a period of more than five years	**104**	—
	450	—
Less: Amounts due within 12 months shown under current liabilities	**(69)**	—
Amounts due after 12 months shown under non-current liabilities	**381**	—

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

As at 31 December 2021, the unsecured other borrowing was interest-free.

30. LEASE LIABILITIES

	2021 HK$'000	2020 HK$'000
Lease liabilities payable:		
Within one year	**10,256**	11,897
Within a period of more than one year but not more than two years	**6,822**	2,440
Within a period of more than two years but not more than five years	**4,308**	2,490
	21,386	16,827
Less: Amounts due for settlement within 12 months shown under current liabilities	**(10,256)**	(11,897)
Amounts due for settlement after 12 months shown under non-current liabilities	**11,130**	4,930

30. LEASE LIABILITIES (Continued)

Restrictions or covenants on leases

Lease liabilities of HK$21,386,000 (2020: HK$16,827,000) are recognised with related right-of-use assets of HK$19,066,000 (2020: HK$16,419,000) as at 31 December 2021. The lease agreements do not impose any covenants other than the security interests in the leased assets (where applicable) that are held by the lessor. The related leased assets may not be used as security for borrowing purposes.

As at 31 December 2021, the amounts are secured by rental deposits with carrying values of HK$3,272,000 (2020: HK$3,128,000) and secured by a bank deposit with carrying value of HK$328,000 (2020: HK$341,000).

31. CONTRACT LIABILITIES

Contract liabilities comprise deposits received from customers in relation to the sale of electronic gaming equipment and systems which are recognised when the goods are approved by the local regulatory authority, delivered, on-site installation is satisfied as per terms of relevant sale contracts and titles have been passed. As at 31 December 2021, the amount of HK$10,912,000 (2020: HK$23,534,000) will be recognised as revenue when the Group performs its obligations under the contracts which are expected to be completed within one year from the end of the reporting period. As at 31 December 2021, the decrease in contract liabilities is because the Group satisfies the performance obligations under the contracts for which customers placed deposits before (2020: the increase in contract liabilities was due to more deposits from customers before the Group satisfies the performance obligations). As at 1 January 2020, the contract liabilities amounted to HK$9,846,000, which was fully recognised as revenue during the year ended 31 December 2020.

32. SHARE CAPITAL

	Number of shares '000	Share capital HK$'000
Ordinary shares of HK$0.001 each		
Authorised:		
At 1 January 2020, 31 December 2020 and 31 December 2021	1,000,000,000	1,000,000
Issued and fully paid:		
At 1 January 2020, 31 December 2020 and 31 December 2021	1,052,185	1,052

33. ACQUISITIONS OF SUBSIDIARIES

On 8 May 2019, the Group acquired a 50% equity interest in Tong Sin and a 50% equity interest in Bigger A for the consideration of MOP12,500 (equivalent to approximately HK$12,000) per entity. The entities were classified as joint ventures under "Interests in joint ventures" as the Group has joint control over each of Tong Sin and Bigger A with other parties.

(a) Acquisition of Tong Sin

On 11 January 2021, the Group acquired the remaining 50% equity interest in Tong Sin from an independent third party for cash consideration of HK$1,500,000. Upon completion of the acquisition, Tong Sin became an indirect wholly-owned subsidiary of the Company.

The fair value of the Group's equity holding in Tong Sin immediately before the completion of the acquisition formed part of the total consideration of the acquisition and was included in the calculation of gain on acquisition of a subsidiary.

The fair value of the 50% equity interest in Tong Sin previously held by the Group prior to the completion of the acquisition was estimated to approximate the carrying amount as at the acquisition date.

The following table summarises the consideration paid by the Group for remaining 50% equity interest in Tong Sin:

	HK$'000
Cash paid during the year ended 31 December 2021	1,500
Fair value of equity interest in Tong Sin previously held by the Group	7,987
Total consideration	9,487

33. ACQUISITIONS OF SUBSIDIARIES (Continued)

(a) Acquisition of Tong Sin (Continued)

Fair value of assets and liabilities recognised at the date of acquisition was as follows:

	HK$'000
Property, plant and equipment	2,897
Interest in a joint venture	8,585
Other assets	163
Right-of-use assets	3,839
Inventories	1,471
Trade and other receivables	1,397
Amount due from a related company	17
Bank balances and cash	1,168
Trade and other payables	(1,942)
Lease liabilities	(5,789)
Bank borrowings	(1,834)
Other borrowing	(485)
Net assets	9,487

The trade and other receivables acquired (which principally comprised trade receivables) with a fair value of HK$1,397,000 at the date of acquisition had gross contractual amounts of HK$1,397,000 as the contractual cash flows was expected to be fully collected based on the best estimate at acquisition date.

Note:

Net cash outflows arising on the acquisition:

	HK$'000
Consideration paid in cash	1,500
Less: Cash and cash equivalent balances acquired	(1,168)
	332

33. ACQUISITIONS OF SUBSIDIARIES (Continued)

(a) Acquisition of Tong Sin (Continued)

Other income and loss contribution:

The acquired business contributed other income of HK$4,993,000 and incurred a net loss of HK$22,549,000 (including share of loss of a joint venture of HK$8,585,000, impairment loss in respect of amount due from a joint venture of HK$1,891,000 and loss from charge in fair value of convertible loan of HK$9,653,000) to the Group for the period from 11 January 2021 to 31 December 2021.

The other income and the results contributed by Tong Sin to the Group for the period from 1 January 2021 to the acquisition date of 11 January 2021 were insignificant, therefore there would be negligible difference if the acquisition had occurred on 1 January 2021 for consolidated other income and consolidated loss after taxation of the Group for the year ended 31 December 2021 would have been presented in the consolidated financial statements.

(b) Acquisition of Bigger A

On 11 January 2021, the Group acquired the remaining 50% equity interest in Bigger A from independent third parties for no consideration. Upon completion of the acquisition, Bigger A has become an indirect wholly-owned subsidiary of the Company. The fair value of assets and liabilities recognised at the date of acquisition was insignificant and the net cash inflows arising on acquisition was HK$2,000 and loss arising from the acquisition of Bigger A was HK$8,000 for the year ended 31 December 2021.

The revenue and the results contributed by Bigger A to the Group for the period from 1 January 2021 to the acquisition date of 11 January 2021 and the period from 11 January 2021 to 31 December 2021 were insignificant.

34. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2021, property, plant and equipment of HK$1,200,000 were settled by utilising deposits paid for acquisitions of property, plant and equipment (2020: HK$440,000).

During the year ended 31 December 2021, property, plant and equipment of HK$3,464,000 (2020: nil) were transferred to inventories.

During the year ended 31 December 2020, property, plant and equipment of HK$12,947,000 were transferred from inventories. No such transaction occurred during the year ended 31 December 2021.

During the year ended 31 December 2020, an interim dividend was declared by a non-wholly owned subsidiary of the Company and the non-controlling shareholder of the subsidiary assigned its dividend entitled amounting to HK$7,110,000 to the Borrower for partial settlement of the interest payable of the Borrower to the Group under the loan mentioned in note 21(iii). No such transaction occurred during the year ended 31 December 2021.

35. PLEDGE OF ASSETS

At 31 December 2021, the Group's leasehold land and buildings and bank deposits with carrying amounts of HK$207,343,000 (2020: HK$214,748,000) and HK$30,748,000 (2020: HK$30,341,000) as set out in notes 14 and 23, respectively, were pledged to banks to secure for certain facilities granted by the banks to the Group.

36. CAPITAL COMMITMENTS

	2021 **HK$'000**	2020 HK$'000
Capital expenditure in respect of property, plant and equipment contracted for but not provided for in the consolidated financial statements	**4,796**	1,146

37. RETIREMENT BENEFIT SCHEMES

The Group contributes to a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group in funds under the control of the independent trustees. The Group and each employee make mandatory contributions of 5% of relevant payroll costs with monthly cap of HK$1,500 to the scheme.

The employees of the Group in Macau are members of state-managed retirement benefit schemes operated by the Macau government. The Group is required to contribute a certain percentage of its payroll to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the required contributions under the scheme.

As stipulated by the rules and regulations in the PRC, the Group contributes to retirement funds schemes managed by a social security bureau in the PRC. The Group contributes a certain percentage of the basic salaries of its employees to the retirement funds schemes to fund the benefits.

The total cost of retirement benefit schemes charged to profit or loss of HK$3,266,000 (2020: HK$2,246,000) represents contributions paid or payable to the above schemes by the Group.

The Group does not forfeit any contributions on behalf of its employee who leave the retirement benefit schemes prior to vesting fully in the schemes during both years. There is no forfeited contribution available for the Group to reduce its existing level of contributions to the retirement benefit schemes during and at the end of the reporting period.

38. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt and equity of the Company, comprising issued share capital disclosed in note 32 and reserves as disclosed in consolidated statement of changes in equity. The management of the Group reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as new borrowings. The Group's approach to capital management remains unchanged throughout the year.

39. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2021	2020
	HK$'000	HK$'000
Financial assets		
Financial assets at amortised cost	**157,319**	234,841
Financial assets at FVTPL		
— convertible loan	**347**	—
	157,666	234,841
Financial liabilities		
Amortised cost	**151,617**	158,700

(b) Financial risk management objectives and policies

The Group's major financial instruments are listed in above table. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (foreign currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

39. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk

Foreign currency risk

Foreign currency risk refers to the risk that movement in foreign currency exchange rates will affect the Group's financial results and its cash flows. Several subsidiaries of the Company have foreign currency sales and purchases, but the management of the Group considers the amount of foreign currency sales and purchases to be insignificant. The management of the Group considers that the Group is not exposed to significant foreign currency risk in relation to transactions denominated in MOP and US$ as MOP and US$ are pegged to HK$.

The Group has certain bank balances which are denominated in Renminbi ("RMB") and Euro ("EUR") (being currencies other than the functional currency of the relevant group entities) amounting to HK$19,369,000 (2020: HK$204,000) and HK$130,000 (2020: HK$66,882,000), respectively. The Group currently does not have a foreign currency hedging policy. However, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The following details the Group's sensitivity to a reasonably possible change of 5.0% (2020: 5.0%) in exchange rates of RMB and EUR against HK$, while all other variables are held constant. 5.0% (2020: 5.0%) is the sensitivity rate used when reporting foreign currency risk internally to the key management personnel and represents the management's assessment of the reasonably possible change in foreign currency rate. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5.0% (2020: 5.0%) change in foreign currency rate. For a 5.0% (2020: 5.0%) strengthening in RMB and EUR against HK$, the Group's loss for the year would be decreased by HK$968,000 (2020: HK$10,000) and HK$7,000 (2020: HK$3,344,000), respectively. If RMB and EUR had been weakened against HK$ in an opposite magnitude and all other variables were held constant, the potential effect on the results would be equal and opposite.

In the opinion of the directors of the Company, the sensitivity analysis is unrepresentative of inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate loan receivable, lease liabilities, unsecured bank loan and pledged bank deposits. The Group is also exposed to cash flow interest rate risk in relation to its variable-rate bank balances and secured bank mortgage loans. The Group currently does not have policy on cash flow hedges of interest rate risk. However, the management of the Group monitors the interest rate exposure and will consider hedging significant interest rate risk should the need arise.

Interest expenses on financial liabilities not measured at FVTPL:

	2021 **HK$'000**	2020 HK$'000
Financial liabilities at amortised cost	**3,240**	3,404

39. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

Interest rate risk (Continued)

The Group's sensitivity to cash flow interest rate risk has been determined based on the exposure to interest rates for those variable-rate bank balances and bank borrowings at the end of the reporting period and management's assessment of the reasonably possible change in the interest rate assuming that it took place at the beginning of each year and was held constant throughout the respective year.

If interest rates for bank balances and bank borrowings had been 5 basis points and 50 basis points (2020: 5 basis points and 50 basis points) higher, respectively, and all other variables held constant, the potential effect on loss for the year:

	2021 **HK$'000**	2020 HK$'000
Decrease (increase) in loss for the year		
— Variable-rate bank balances	**31**	62
— Variable-rate bank borrowings	**(640)**	(685)
	(609)	(623)

If interest rates had been lowered in an opposite magnitude and all other variables were held constant, the potential effect on the results would be equal and opposite.

Credit risk and impairment assessment

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at 31 December 2021 and 31 December 2020 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position.

Trade receivables arising from contracts with customers (including amount due from a related company and amount due from a joint venture in trade nature)

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed twice a year. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model on trade balances individually or based on provision matrix. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced and insignificant to recognise loss allowance for the trade receivables from contracts with customers (including amount due from a related company) of HK$27,531,000 (2020: HK$34,023,000).

In addition, for the amount due from a joint venture in trade nature with gross carrying amount of HK$1,032,000 (2020: nil), which is not formed part of the long-term interest, an impairment allowance based on lifetime ECL of HK$1,032,000 (2020: nil) was made for the credit-impaired amount due from a joint venture in trade nature as at 31 December 2021, as the directors of the Company consider the outstanding balance was uncollectible.

39. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Trade receivables arising from contracts with customers (including amount due from a related company and amount due from a joint venture in trade nature) (Continued)

The Group has concentration of credit risk as 85% (2020: 84%) and 96% (2020: 100%) of the total trade receivables and amount due from a related company, which were due from the Group's largest customer and the five largest customers, respectively. The directors of the Company consider that there is no significant credit risk on the trade receivables from the five largest customers given their strong financial background and good creditability. The remaining trade receivables balances are spread over a number of customers.

Pledged bank deposits/bank balances

For the pledged bank deposits of HK$30,748,000 (2020:HK$30,341,000) and bank balances of HK$61,455,000 (2020: HK$124,156,000), no allowance for impairment was made since the directors of the Company consider the probability of default is negligible as such amounts are receivable from or placed in banks in Macau and Hong Kong having good reputation.

Loan receivable

For the loan receivable from the Borrower of HK$7,799,000 (2020: HK$7,799,000), no allowance for impairment was made since the directors of the Company consider the loss given default is minimal with reference to a guarantee provided by a director of a non-wholly owned subsidiary of the Company who also holds an 18% shareholding in this non-wholly owned subsidiary.

Refundable rental deposits/other receivables/lease receivables

For non-current refundable rental deposits of HK$1,299,000 (2020: HK$2,145,000), other receivables of HK$25,860,000 (2020: HK$30,049,000) including chips on hand of HK$10,612,000 (2020: HK$13,529,000) and current refundable rental deposits of HK$9,231,000 (2020: HK$8,279,000) and remaining other receivables of HK$6,017,000 (2020: HK$8,241,000); and lease receivables of HK$39,000 (2020: HK$1,240,000) at 31 December 2021, no allowance for impairment was made since the directors of the Company consider the probability of default is minimal after assessing the counter-parties' financial background and creditability.

Amount due from a joint venture in non-trade nature

For the amount due from a joint venture with gross carrying amount of HK$8,585,000 (2020: amounts due from joint ventures of HK$14,465,000) before share of losses of joint venture(s) that are considered as part of long-term interest as 31 December 2021, the carrying amount was reduced by share of post-acquisition losses of HK$8,585,000 (2020: HK$6,477,000) to nil (2020: HK$7,988,000). Accordingly, no allowance for impairment is made in respect of such amount due from a joint venture as at 31 December 2021 (2020: no allowance for impairment was made since the directors of the Company consider the probability of default is minimal after assessing the counter-party's financial background and creditability).

In addition, for the amount due from a joint venture in non-trade nature with gross carrying amount of HK$859,000 (2020: nil), which is not formed part of the long-term interest, an impairment allowance based on lifetime ECL of HK$859,000 (2020: nil) was made for the credit-impaired amount due from a joint venture in non-trade nature as at 31 December 2021, as the directors of the Company consider the outstanding balance was uncollectible.

39. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management of the Group to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The consideration of going concern assessment prepared by the Group is set out in note 3.1. The management of the Group considers that the Group's liquidity risk is duly monitored.

The following table details the Group's remaining contractual maturity for its financial liabilities that will result in cash outflow. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

Liquidity and interest risk tables

	Weighted average effective interest rate	Less than 1 month or repayable on demand	1–3 months	3 months to 1 year	1–5 years	Over 5 years	Total undiscounted cash flows	Total carrying amount
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2021								
Trade and other payables	N/A	**19,984**	**–**	**–**	**–**	**–**	**19,984**	**19,984**
Amounts due to directors	N/A	**1,740**	**–**	**–**	**–**	**–**	**1,740**	**1,740**
Amounts due to joint ventures	N/A	**278**	**–**	**–**	**–**	**–**	**278**	**278**
Bank borrowings	2.51	**1,076**	**2,151**	**9,673**	**49,455**	**86,766**	**149,121**	**129,165**
Other borrowing	N/A	**–**	**–**	**69**	**277**	**104**	**450**	**450**
Lease liabilities	3.55	**1,035**	**1,995**	**8,052**	**11,250**	**–**	**22,332**	**21,386**
		24,113	**4,146**	**17,794**	**60,982**	**86,870**	**193,905**	**173,003**
2020								
Trade and other payables	N/A	19,906	–	–	–	–	19,906	19,906
Amounts due to directors	N/A	1,600	–	–	–	–	1,600	1,600
Amounts due to joint ventures	N/A	178	–	–	–	–	178	178
Bank borrowings	2.40	1,019	2,038	9,170	48,910	99,055	160,192	137,016
Lease liabilities	2.77	1,201	2,405	8,591	5,103	–	17,300	16,827
		23,904	4,443	17,761	54,013	99,055	199,176	175,527

39. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value

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

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

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

Fair value of the convertible loan that is measured at fair value as at 31 December 2021 on a recurring basis is as follows:

Financial asset	Fair value HK$'000	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Sensitivity/relationship of unobservable inputs to fair value
Financial asset at FVTPL: Convertible loan	347 (2020: N/A)	Level 3	Discounted cash flow model with discount rate as the key input	Discount rate at 15.56% per annum (2020: N/A)	Increase in discount rate would result in decrease in fair value of the convertible loan, and vice versa

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

40. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Lease liabilities	**Amounts due to directors**	**Bank borrowings**	**Other borrowing**	**Interest payables**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
	(note 30)	(note 26)	(note 28)	(note 29)	(note)	
At 1 January 2020	18,553	2,109	145,831	—	149	166,642
Net financing cash flows	(12,983)	(509)	(8,815)	—	(3,413)	(25,720)
Interest expenses	554	—	—	—	3,404	3,958
New leases entered	11,362	—	—	—	—	11,362
Covid-19-related rent concessions	(659)	—	—	—	—	(659)
At 31 December 2020	16,827	1,600	137,016	—	140	155,583
Net financing cash flows	(14,939)	140	(9,685)	(35)	(3,252)	(27,771)
Acquisition of subsidiaries	5,789	—	1,834	485	6	8,114
Early termination of lease contracts	(4,452)	—	—	—	—	(4,452)
Interest expenses	759	—	—	—	3,240	3,999
New leases entered	18,092	—	—	—	—	18,092
Covid-19-related rent concessions	(690)	—	—	—	—	(690)
At 31 December 2021	21,386	1,740	129,165	450	134	152,875

Note: The amount is included in trade and other payables as set out in note 25.

41. RELATED PARTY TRANSACTIONS

Except for disclosure elsewhere in the consolidated financial statements, the Group had the following significant transactions during the year with related parties:

	2021 **HK$'000**	2020 HK$'000
Sale of electronic gaming equipment and systems (note i)	**6,519**	1,615
Leasing of electronic gaming equipment and system (note i)	**4,408**	519
Consultancy fee (note ii)	**360**	360
Staff costs (note iii)	**3,729**	3,842
Sales of frozen food and products (note iv)	**1,032**	—
Interest income (note iv)	**363**	—
Purchase of frozen food and products (note iv)	**—**	140
Rental income (note iv)	**—**	440
Rental expense relating to short-term lease (note iv)	**—**	373

Notes:

(i) The related parties are companies wholly-owned by the brother-in-law of Mr. Jay Chun, an executive director. The transactions were charged at pre-determined amounts agreed between the parties involved. These transactions constitute continuing connected transactions for the purpose of Chapter 14A of the Listing Rules. Details of certain of these continuing connected transactions, which are subject to the reporting requirements set out in Chapter 14A of the Listing Rules, have been disclosed under the section "Connected Transactions" in the directors' report of this annual report.

(ii) The related party is the brother-in-law of Mr. Jay Chun, an executive director. The transactions were charged at pre-determined amounts agreed between the parties involved.

(iii) The related party is the spouse of Mr. Jay Chun, an executive director. The transactions were charged at pre-determined amounts agreed between the parties involved.

(iv) The related parties are joint ventures of the Group. The transactions were charged at pre-determined amounts agreed between the parties involved.

(v) Key management personnel compensation represents the amounts paid to the directors of the Company, details of which are set out in note 10.

(vi) Transactions described in notes (ii), (iii), (iv) and (v) above do not fall under the definition of connected transactions or continuing connected transactions of Chapter 14A of the Listing Rules.

42. SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled share option scheme of the Company

The Company adopted the share option scheme ("Share Option Scheme") on 25 May 2017 for the purposes of providing incentives or rewards to the eligible participants for the contribution to the success of the Group's operations. Eligible participants of the Share Option Scheme include, among others, the directors of the Company (including independent non-executive directors), full-time or part-time employees, executives or officers of the Group, advisors, consultants, suppliers, customers and agents. The Share Option Scheme will be valid and effective for a period of 10 years from the date of adoption of the Share Option Scheme. Accordingly, the remaining life of the Share Option Scheme is approximately 5 years.

The maximum number of shares of the Company ("Shares") which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme must not exceed 30% of the total number of Shares in issue from time to time. The maximum number of Shares issued and to be issued upon exercise of the options granted and to be granted to each eligible participant in any 12-month period must not exceed 1% of the Company's issued share capital from time to time. Any grant or further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting of the Company.

Each grant of share options to a director, chief executive or substantial shareholder of the Company, or to any of their associates, is subject to approval in advance by the independent non-executive directors. In addition, any grant of share options to a substantial shareholder of the Company or an independent non-executive director, or to any of their associates, resulting in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in a 12-month period up to and including the date of such grant in excess of 0.1% of the Shares in issue and with an aggregate value (based on the closing price of the Shares at the date of the grant) in excess of HK$5 million, is subject to shareholders' approval in advance in a general meeting of the Company.

The period during which an option may be exercised is determined by the board of directors of the Company in its absolute discretion, save that such period shall not be longer than 10 years from the date of grant. The minimum period for which an option must be held before it can be exercised is determined by the board of directors upon the grant of an option.

An option shall be deemed to have been granted and accepted by the grantee and to have taken effect when the duplicate offer document constituting acceptance of the option is duly signed by the grantee, together with a remittance in favour of the Company of HK$1.00 as consideration for the grant of the option, is received by the Company within 21 days after the date of offer.

The exercise price of share options is determined by the directors of the Company, but shall not be less than the highest of (i) the nominal value of the Shares; (ii) the closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange on the date of offer of the share options; and (iii) the average closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange for the five business days immediately preceding the date of offer.

42. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Equity-settled share option scheme of the Company (Continued)

No options were granted by the Company, exercised, cancelled or lapsed under the Share Option Scheme and no equity-settled employees' benefit (including directors' emoluments) was recognised during the year ended 31 December 2021. There was no share option outstanding under the Share Option Scheme as at 1 January 2021, during the year ended 31 December 2021 and as at 31 December 2021.

As at the date of this report, the total number of Shares available for issue under the Share Option Scheme is 105,218,531 Shares, representing 10% of the Shares in issue as at the date of adoption of the Share Option Scheme, that is 25 May 2017, and as at the date of this report.

Equity-settled share award scheme of the Company

The Company adopted the share award scheme ("Share Award Scheme") on 11 November 2019 for the purposes of, among others, providing incentives and/or rewards to the eligible participants for the contribution to the development and success of the Group. Eligible participants of the Share Award Scheme include, among others, the directors of the Company (including Executive Directors, non-executive directors and independent non-executive directors), the directors of the Company's subsidiaries, the employees of the Group or any other persons as determined by the board of directors whom the board of directors considers, in its absolute discretion, have contributed or will contribute to the Group. The Share Award Scheme shall be valid and effective for a term of 10 years commencing on the date of adoption of the Share Award Scheme.

Under the Share Award Scheme, the board of directors shall not make any further award which will result in the aggregate number of Shares underlying all awards granted by the board of directors under the Share Award Scheme exceeding 10% of the total number of issued Shares as at the date of adoption of the Share Award Scheme. Except as otherwise approved by the board of directors, the maximum aggregate number of Shares underlying the awards that may be granted to any grantee under the Share Award Scheme shall not exceed 1% of the total number of issued Shares as at the date of adoption of the Share Award Scheme. Any grant of an award to any director, chief executive or substantial shareholder (as defined in the Listing Rules) of the Company, or any of their respective associates (as defined in the Listing Rules), shall be subject to the prior approval of the independent non-executive directors (excluding any independent non-executive director who is the proposed grantee of the award in question) and all grants to connected persons (as defined in the Listing Rules) shall be subject to compliance with the requirements of the Listing Rules.

The Share Award Scheme shall terminate on the earlier of: (i) the tenth anniversary date of the adoption date of the Share Award Scheme; and (ii) such date of early termination as determined by a resolution of the board of directors, provided that such termination shall not affect any subsisting rights of any grantee under the Share Award Scheme. In the event of termination, no further awards may be offered or granted but the terms of the Share Award Scheme shall remain in full force and effect in respect of awards which are granted during the term of the Share Award Scheme and which remain unvested immediately prior to the termination of the Share Award Scheme.

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

No awards were granted by the Company under the Share Award Scheme since its adoption and up to 31 December 2021. Accordingly, during the year ended 31 December 2021, no Shares were purchased by the Trustee, and no awards were vested under the Share Award Scheme.

43. FINANCIAL INFORMATION OF THE COMPANY

The financial information of the Company as at 31 December 2021 and 31 December 2020 is as follows:

	2021 HK$'000	2020 HK$'000
Non-current asset		
Interests in subsidiaries	**319,925**	407,466
Current assets		
Prepayments and deposits	**436**	428
Bank balances and cash	**99**	185
	535	613
Current liabilities		
Other payables	**2,308**	2,351
Amounts due to directors	**49**	59
	2,357	2,410
Net current liabilities	**(1,822)**	(1,797)
Net assets	**318,103**	405,669
Capital and reserves		
Share capital	**1,052**	1,052
Reserves	**317,051**	404,617
	318,103	405,669

43. FINANCIAL INFORMATION OF THE COMPANY (Continued)

Movement in reserves:

	Contributed surplus HK$'000 (note)	Accumulated losses HK$'000	Total HK$'000
At 1 January 2020	1,042,083	(502,189)	539,894
Loss and total comprehensive expense for the year	—	(135,277)	(135,277)
At 31 December 2020	1,042,083	(637,466)	404,617
Loss and total comprehensive expense for the year	—	(87,566)	(87,566)
At 31 December 2021	1,042,083	(725,032)	317,051

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

44. EVENTS AFTER THE REPORTING PERIOD

Subsequent to 31 December 2021, the Group entered into a deed of loan with Mr. Jay Chun, an executive director of the Company, pursuant to which Mr. Jay Chun agrees to provide a loan facility of HK$60,000,000 to the Group to strengthen the liquidity of the Group. The loan is conducted on normal commercial terms and is unsecured, carries fixed interest at prevailing market rate and with maturity more than twelve months. Up to the date of approval of the consolidated financial statements, the facility of HK$30,000,000 has been drawn down by the Group.

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

45. PARTICULARS OF SUBSIDIARIES

(a) General information of subsidiaries

Particulars of the principal subsidiaries of the Company as at 31 December 2021 and 31 December 2020 are as follows:

Name of subsidiary	Place of incorporation/ operation	Nominal value of issued ordinary share/ registered capital	Class of share	The Group's attributable equity interest 2021 %	2020 %	Principal activities
Century Force Limited	Macau/Macau	MOP25,000	Ordinary	**100**	100	Properties holding
Fairy Host Limited	BVI/Macau	US$1	Ordinary	**82**	82	Investment holding
Fresh Idea Global Limited	BVI/Hong Kong	US$1	Ordinary	**100**	100	Investment holding
Grand Step Game Equipments Factory Limited (formerly known as "Grand Step Limited")	Macau/Macau	MOP25,000	Ordinary	**100**	100	Properties holding
LifeTec (Holdings) Limited	BVI/Hong Kong	HK$141,176	Ordinary	**100**	100	Investment holding
LifeTec Enterprise Limited	Hong Kong/ Hong Kong	HK$100	Ordinary	**100**	100	Provision of management and consulting service
LT Macau	Macau/Macau	MOP1,000,000	Ordinary	**100**	100	Provision of casino management services and operation of electronic gaming equipment and systems
LT Capital Limited	BVI/Hong Kong	US$1	Ordinary	**100**	100	Investment holding
LT Digital Technology Limited	BVI/Macau	US$1	Ordinary	**100**	100	Investment holding and provision of procurement services
LT Game (Canada) Limited	Incorporated in Canada and continued in U.S./U.S.	CAD100	Ordinary	**100**	100	Market development
LT Game Australia Pty Limited	Australia/Australia	AUD100	Registered capital	**100**	100	Market development
LT Game Limited	BVI/Macau	US$5,000	Ordinary	**82**	82	Development, sale and leasing of electronic gaming equipment and systems
MedicTec Technology Company Limited	Macau/Macau	MOP25,000	Ordinary	**100**	100	Development and sale of high-tech healthcare innovative products

45. PARTICULARS OF SUBSIDIARIES (Continued)

(a) General information of subsidiaries (Continued)

Name of subsidiary	Place of incorporation/ operation	Nominal value of issued ordinary share/ registered capital	Class of share	The Group's attributable equity interest 2021 %	2020 %	Principal activities
Natural Noble Limited	BVI/Macau	US$1	Ordinary	**100**	100	Investment holding
Paradise Digital Technology (Shenzhen) Limited (note i)	PRC/PRC	RMB20,000,000	Registered capital	**100**	100	Technology and software development
Rich Yield Limited	Macau/Macau	MOP25,000	Ordinary	**100**	100	Investment holding
Shenzhen Caijing Software Technology Co., Ltd. (note i)	PRC/PRC	RMB500,000	Registered capital	**100**	100	Software development
Solution Champion Limited	BVI/Hong Kong	US$1	Ordinary	**100**	100	Investment holding
Streetsteel Limited	Macau/Macau	MOP25,000	Ordinary	**100**	100	Investment holding
Tech (Macau) Limited	Macau/Macau	MOP3,000,000	Ordinary	**82**	82	Sale and leasing of electronic gaming equipment and systems
Tong Sin	Macau/Macau	MOP$25,000	Ordinary	**100**	N/A	Import, export and sale of frozen food products and packaged meats; and investment holding
Zhuhai Caijing Software Technology Co., Ltd. (note i)	PRC/PRC	RMB6,800,000	Registered capital	**100**	100	Software development

Notes:

(i) The subsidiaries established in the PRC are wholly-owned foreign enterprises.

(ii) Other than LifeTec (Holdings) Limited, which is held directly by the Company, all the other subsidiaries are held indirectly by the Company.

None of the subsidiaries had any debt securities outstanding at the end of both reporting periods.

The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affect the results or assets of the Group. To give details of other subsidiaries which are mainly inactive or investment holdings would, in the opinion of the directors of the Company, result in particulars of excessive length.

45. PARTICULARS OF SUBSIDIARIES (Continued)

(b) Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly owned subsidiaries of the Company that have material non-controlling interests:

Name of subsidiary	Place of incorporation/ principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Total comprehensive expense allocated to non-controlling interests		Accumulated non-controlling interests	
		2021	2020	**2021**	2020	**2021**	2020
				HK$'000	HK$'000	**HK$'000**	HK$'000
LT Game Limited and its subsidiaries	BVI/Macau	**18%**	18%	**(2,223)**	(3,179)	**39,590**	41,813
Individually immaterial subsidiaries with non-controlling interests						**(459)**	(346)
						39,131	41,467

LT Game Limited and its subsidiaries

	2021 HK$'000	2020 HK$'000
Current assets	**196,759**	229,111
Non-current assets	**38,315**	41,390
Current liabilities	**12,524**	34,695
Non-current liabilities	**2,608**	3,510
Equity attributable to owners of the Company	**180,352**	190,483
Non-controlling interests of LT Game Limited	**39,590**	41,813

45. PARTICULARS OF SUBSIDIARIES (Continued)

(b) Details of non-wholly owned subsidiaries that have material non-controlling interests (Continued)

LT Game Limited and its subsidiaries (Continued)

	2021 HK$'000	2020 HK$'000
Revenue	**64,217**	20,975
Expenses, other gains and losses	**76,103**	36,787
Loss for the year	**(11,886)**	(15,812)
Loss for the year attributable to:		
Owners of the Company	**(9,747)**	(12,966)
Non-controlling interests of LT Game Limited	**(2,139)**	(2,846)
	(11,886)	(15,812)
Other comprehensive expense for the year attributable to:		
Owners of the Company	**(384)**	(1,517)
Non-controlling interests of LT Game Limited	**(84)**	(333)
	(468)	(1,850)
Total comprehensive expense for the year attributable to:		
Owners of the Company	**(10,131)**	(14,483)
Non-controlling interests of LT Game Limited	**(2,223)**	(3,179)
	(12,354)	(17,662)
Net cash from (used in) operating activities	**15,867**	(11,603)
Net cash used in investing activities	**(11,141)**	(1,553)
Net cash used in financing activities	**(1,819)**	(1,186)
Net cash inflow (outflow)	**2,907**	(14,342)

Financial Summary

For the year ended 31 December 2021

A summary of the audited consolidated results and assets and liabilities of the Group for the past five financial years is set out below:

RESULTS

	Year ended 31 December				
	2021	2020	2019	2018	2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**494,126**	351,739	1,181,754	1,164,207	1,011,844
(Loss) profit before taxation	**(87,992)**	(189,709)	6,002	53,560	(46,772)
Taxation (charge) credit	**(375)**	(2,402)	4,558	(403)	(680)
(Loss) profit for the year	**(88,367)**	(192,111)	10,560	53,157	(47,452)
(Loss) profit for the year attributable to:					
Owners of the Company	**(86,115)**	(189,152)	926	58,224	(30,698)
Non-controlling interests	**(2,252)**	(2,959)	9,634	(5,067)	(16,754)
	(88,367)	(192,111)	10,560	53,157	(47,452)

ASSETS AND LIABILITIES

	At 31 December				
	2021	2020	2019	2018	2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**551,260**	660,450	909,231	883,373	741,478
Total liabilities	**(232,233)**	(254,391)	(300,747)	(254,655)	(163,723)
	319,027	406,059	608,484	628,718	577,755
Total equity attributable to:					
Owners of the Company	**279,896**	364,592	556,615	582,915	526,651
Non-controlling interests	**39,131**	41,467	51,869	45,803	51,104
	319,027	406,059	608,484	628,718	577,755

Definitions

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

"2022 AGM"	the forthcoming annual general meeting of the Company to be held on 26 May 2022
"Adjusted EBITDA"	the Group's profit or loss for the year 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 of right-of-use assets, impairment loss in respect of amount due from a joint venture, amortisation of intangible assets, loss from change in fair value of convertible loan 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 Inspecção e Coordenação de Jogos, the Gaming Inspection and Coordination Bureau in Macau
"Director(s)"	the director(s) of the Company
"ESG"	environmental, social and governance
"ESG Report"	the ESG report of the Group
"ETG"	electronic table game
"Euro"	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
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC

Definitions (Continued)

"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
"Macao" or "Macau"	the Macao Special Administrative Region of the PRC
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
"MOP"	Macau Pataca, the lawful currency of Macau
"Nomination Committee"	the nomination committee of the Company
"PRC"	the People's Republic of China
"Remuneration Committee"	the remuneration committee of the Company
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
"Share(s)"	ordinary share(s) of HK$0.001 each in the share capital of the Company
"Share Award Scheme"	the share award scheme of the Company adopted by the Company on 11 November 2019
"Share Option Scheme"	the share option scheme of the Company adopted by the Company at the annual general meeting held on 25 May 2017
"Shareholder(s)"	holder(s) of the Shares
"SJM Resorts"	SJM Resorts, Limited (formerly known as Sociedade de Jogos de Macau, S.A.), one of the three concessionaires for operation of casinos in Macau
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"U.S."	the United States of America
"US$"	the United States dollars, the lawful currency of the U.S.
"%"	per cent