



PARADISE ENTERTAINMENT LIMITED
滙彩控股有限公司*

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

**INTERIM
REPORT 2022**

** For identification purposes only*



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CORPORATE INFORMATION

Place of Incorporation

Bermuda

Board of Directors

Executive Directors

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

Mr. SHAN Shiyong, alias, SIN Sai Yung

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)
Dr. Jay CHUN
Ms. TANG Kiu Sam Alice

Nomination Committee

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

Authorised Representatives

Dr. Jay CHUN
Mr. CHAN Kin Man

Company Secretary

Mr. CHAN Kin Man

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head Office and Principal Place of Business

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

Bermuda Principal Share Registrar

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

Hong Kong Branch Share Registrar

Tricor Secretaries Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

Hong Kong Legal Advisors

Taylor Wessing
21/F, 8 Queen's Road Central
Hong Kong

Independent Auditor

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

Principal Bankers

Bank of China Limited, Macau Branch
Bank of China (Hong Kong) Limited
Industrial and Commercial Bank of China (Macau) Limited
Industrial and Commercial Bank of China (Asia) Limited
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

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Website

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Corporate Communications

This interim 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.



MANAGEMENT DISCUSSION AND ANALYSIS

Business and Financial Review

Overview of Results

Total reported revenue of the Group for the six months ended 30 June 2022 was HK\$181.1 million, representing a decrease of 29.8% over that of HK\$257.9 million for the six months ended 30 June 2021. The decrease was mainly due to the decrease in revenue from the provision of casino management services in Macau and the sale/leasing of electronic gaming equipment and systems in Macau, which was partially offset by the increase in revenue from sale/leasing of electronic gaming equipment and systems in overseas markets.

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

	Six months ended 30 June	
	2022 HK\$ million	2021 HK\$ million
Casino under the Group's management in Macau:		
Casino Kam Pek Paradise	154.0	227.7
Electronic gaming equipment and systems:		
Sale/leasing of electronic gaming equipment and systems in Macau*	4.8	25.7
Sale/leasing of electronic gaming equipment and systems overseas	21.3	2.7
Royalty income from IGT	1.0	1.8
	27.1	30.2
Total reported revenue	181.1	257.9

* Leasing revenue in Macau for the six months ended 30 June 2022 and 30 June 2021 did not include the intercompany revenue derived from the LMG terminals deployed at the casino under the Group's management amounting to HK\$32.8 million (six months ended 30 June 2021: HK\$47.2 million) which was included in the reported revenue of casino under the Group's management in the above table.

Adjusted EBITDA for the six months ended 30 June 2022 was a loss of HK\$64.4 million, as compared with a profit of HK\$5.1 million for the six months ended 30 June 2021. The following table reconciles loss for the period to Adjusted EBITDA:

	Six months ended 30 June	
	2022 HK\$ million	2021 HK\$ million
Loss for the period	(96.7)	(21.5)
Adjustments for:		
Interest income	(0.8)	(1.2)
Finance costs	2.8	2.0
Taxation	0.2	0.2
Depreciation of property, plant and equipment	15.2	15.2
Loss on disposal/write-off of property, plant and equipment	2.8	—
Depreciation of right-of-use assets	5.6	7.7
Gain on early termination of lease contracts	—	(0.1)
Loss from change in fair value of convertible loan	0.3	—
Amortisation of intangible assets	6.1	6.1
Net gain on acquisitions of subsidiaries	—	(3.3)
Net loss on deregistration of subsidiaries	0.2	—
Others	(0.1)	—
Adjusted EBITDA	(64.4)	5.1

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

	Six months ended 30 June	
	2022 HK\$ million	2021 HK\$ million
Casino under the Group's management:		
Casino Kam Pek Paradise	(23.3)	39.1
Electronic gaming equipment and systems:		
Sale/leasing of electronic gaming equipment and systems	(9.4)	11.8
Research and development and other costs	(22.0)	(27.9)
ETG distribution from IGT	1.0	1.8
	(30.4)	(14.3)
Other businesses	(3.6)	(12.0)
Corporate and other expenses	(7.1)	(7.7)
Adjusted EBITDA	(64.4)	5.1



Adjusted EBITDA from the casino under the Group's management segment for the six months ended 30 June 2022 was a loss of HK\$23.3 million, as compared with a profit of HK\$39.1 million for the six months ended 30 June 2021. The turnaround from profit to loss was mainly due to the decrease in GGR generated by Casino Kam Pek Paradise when compared with that generated for the six months ended 30 June 2021.

Adjusted EBITDA from the electronic gaming equipment and systems segment for the six months ended 30 June 2022 was a loss of HK\$30.4 million, as compared with a loss of HK\$14.3 million for the six months ended 30 June 2021. The increase in loss of the segment was mainly due to the turnaround of the Adjusted EBITDA from sale/leasing of electronic gaming equipment and systems from a profit of HK\$11.8 million for the six months ended 30 June 2021 to a loss of HK\$9.4 million for the six months ended 30 June 2022 which in turn was mainly attributable to the decrease in revenue from the provision of upgrading services to LMG terminals in Macau for the six months ended 30 June 2022 (when compared with that for the six months ended 30 June 2021) in which the profit margin was comparatively higher than other sale/leasing of electronic gaming equipment and systems in Macau and overseas markets. Albeit the tough business environment as further discussed in the sub-section headed "Prospects" below, the Group continued to invest a total of HK\$22.0 million (six months ended 30 June 2021: HK\$27.9 million) in research and development and other costs on electronic gaming equipment and systems for the six months ended 30 June 2022 in order to enhance its product specifications and competitive advantages, attract potential customers and increase market penetration and shares in the long run.

Adjusted EBITDA of other businesses of the Group for the six months ended 30 June 2022 was a loss of HK\$3.6 million, as compared with a loss of HK\$12.0 million for the six months ended 30 June 2021. The reduction in loss was mainly due to the general improvement of performance of other businesses and no further loss of the joint venture of the Group was shared by the Group for the six months ended 30 June 2022 (six months ended 30 June 2021: loss of HK\$3.6 million shared by the Group).

The Group recorded a loss of HK\$96.7 million for the six months ended 30 June 2022, as compared with a loss of HK\$21.5 million for the six months ended 30 June 2021.

Provision of Casino Management Services

The following table sets out the average numbers of gaming tables, LMG terminals and slot machines which were in operation in Casino Kam Pek Paradise under the Group's management for the six months ended 30 June 2022 and 30 June 2021:

	Six months ended 30 June	
	2022	2021
Traditional gaming tables	37	39
LMG gaming tables	9	10
LMG terminals	495	481
Slot machines	102	80

As at 30 June 2022, the Group managed a total of 47 (31 December 2021: 49) gaming tables in Casino Kam Pek Paradise under the Group's management, 30 (31 December 2021: 49) of which were in operation.

The following table sets out certain key operational data of gaming tables, LMG terminals and slot machines which were in operation in Casino Kam Pek Paradise under the Group's management for the six months ended 30 June 2022 and 30 June 2021:

		Six months ended 30 June	
		2022	2021
Traditional gaming tables			
GGR	(HK\$ million)	119.6	188.4
Gaming tables	(Average no. of tables)	37	39
Net win/table/day	(HK\$ thousand)	17.9	26.7
LMG gaming tables			
GGR	(HK\$ million)	148.9	214.6
Terminals/gaming tables	(Average no. of terminals/tables)	495/9	481/10
Net win/terminal/day	(HK\$)	1,662	2,465
Net win/table/day	(HK\$ thousand)	91.4	118.6
Total gaming tables			
GGR	(HK\$ million)	268.5	403.0
Gaming tables	(Average no. of tables)	46	49
Net win/table/day	(HK\$ thousand)	32.2	45.4
Slot machines			
GGR	(HK\$ million)	14.6	13.9
Slot machines	(Average no. of units)	102	80
Net win/unit/day	(HK\$)	791	960
Total GGR	(HK\$ million)	283.1	416.9

For the six months ended 30 June 2022, total GGR generated by Casino Kam Pek Paradise amounted to HK\$283.1 million, representing a decrease of 32.1% over that of HK\$416.9 million for the six months ended 30 June 2021.

Breakdown of revenue attributable to the Group for the casino under the Group's management for the six months ended 30 June 2022 and 30 June 2021 is as follows:

		Six months ended 30 June	
		2022 HK\$ million	2021 HK\$ million
Casino Kam Pek Paradise:			
Traditional gaming tables		65.8	103.6
LMG gaming tables		81.9	118.0
Slot machines		6.3	6.1
		154.0	227.7

Total revenue attributable to the Group generated by Casino Kam Pek Paradise for the six months ended 30 June 2022 was HK\$154.0 million, representing a decrease of 32.4% over that of HK\$227.7 million for the six months ended 30 June 2021.



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

Sale/Leasing of Electronic Gaming Equipment and Systems in Macau

For the six months ended 30 June 2022, revenue from the sale/leasing of electronic gaming equipment and systems in Macau amounted to HK\$4.8 million, representing a decrease of 81.3% over that of HK\$25.7 million for the six months ended 30 June 2021. Revenue for the six months ended 30 June 2022 in Macau comprised revenue of (i) HK\$2.5 million (six months ended 30 June 2021: HK\$24.6 million) derived mainly from the provision of upgrading services to 84 (six months ended 30 June 2021: 1,228) LMG terminals in Macau; and (ii) HK\$2.3 million (six months ended 30 June 2021: HK\$1.1 million) derived from leasing of electronic gaming equipment and systems.

Sale/Leasing of Electronic Gaming Equipment and Systems Overseas

For the six months ended 30 June 2022, revenue from the sale/leasing of electronic gaming equipment and systems in overseas markets, mainly from the North American markets, amounted to HK\$21.3 million, representing an increase of 688.9% over that of HK\$2.7 million for the six months ended 30 June 2021. Revenue for the six months ended 30 June 2022 in overseas markets comprised revenue of (i) HK\$20.3 million (six months ended 30 June 2021: HK\$1.1 million) derived mainly from the sale of 498 units (six months ended 30 June 2021: 12 units) of slot machine; and (ii) HK\$1.0 million (six months ended 30 June 2021: HK\$1.6 million) derived from leasing of slot machines and other electronic gaming equipment and systems. Up to 30 June 2022, the Group has accumulatively deployed a total of 620 units of slot machine in the markets of North America and regions nearby.

Royalty income from IGT

In April 2016, the Group entered into a strategic agreement with IGT whereby the Group has assigned and licensed certain patents and associated technology to IGT in return for a non-refundable upfront payment of US\$12.95 million (approximately HK\$101.0 million) and a 15-year earn-out payment for every related ETG machine deployed in the global market (other than Macau).

With reference to the royalty statements provided by IGT to the Group, the Group recognised royalty income of HK\$1.0 million for the six months ended 30 June 2022 (six months ended 30 June 2021: HK\$1.8 million). Up to 30 June 2022, the Group has accumulatively recognised a total royalty income of HK\$13.2 million from IGT.

Impact of Covid-19 on the Group's Business

During the six months ended 30 June 2022, with the emergence of divergent variants, the global economies continued to be affected by the prolonged Covid-19 pandemic. The highly infectious variants caused significant disruptions of varying durations in Macau where we principally operate, in particular the latest lockdown in July 2022 in Macau has taken a heavy toll on the Group's businesses for the provision of casino management services in Casino Kam Pek Paradise and as a supplier of electronic gaming equipment and systems. Under the prevalence of the Covid-19 pandemic, the Group continued to adopt a prudent approach on investment in research and development projects and take various measures on costs control, including streamlining operation and reporting departmental structures for improving efficiency, reducing marketing and promotional expenses, requesting and lobbying landlords on rent reduction, and implementing family care leaves to employees, etc. We will continue to pay attention to identify new business opportunities in Macau and overseas markets that may appear from time to time to further improve the liquidity and profitability of the Group, maintain the sustainability of its business and bring benefits to the Shareholders.



Prospects

The outbreak of Covid-19 since early 2020 has proved itself to be the once-in-a-century and one of the most serious infectious diseases in human history. Regrettably, the launch of vaccines cannot bring the spread of Covid-19 to a complete halt at present. The protracted Covid-19 pandemic has ravaged the globe, whose sporadic resurgences via various new variants have crippled the world economy, which consequently resulted in, among other things, ongoing travel restrictions, prolonged closures of workplaces and lockdowns, not to mention the delay in full opening of borders between mainland China, Hong Kong and Macau. The gaming industry, which the Group is engaged in, relies heavily on international travelling and close human contact, and is expected to face continuous huge pressure.

During the six months ended 30 June 2022, there were signs of a surge from the new Omicron sub-variants spreading more easily than earlier variants of the virus that caused more reported cases in Macau where the Group's main business is located. Although Macau managed to keep infected cases under good control since the outbreak of Covid-19 through May 2022, the latest Omicron sub-variants were spreading so astonishingly fast around Macau since mid-June 2022. Shortly after some locally transmitted cases were found, the Macau government swiftly commenced a series of stringent measures to contain the virus which include conducting several rounds of mass nucleic acid tests for all residents, locking down buildings and suspending the operations of all dine-in services and entertainment venues, except for casinos. However, as cases continued to climb, the Macau government issued executive orders on 9 July 2022 and 16 July 2022 to suspend the operations of all non-essential industrial and commercial companies (including all casinos) for a period from 11 July 2022 to 17 July 2022 and a further period from 18 July 2022 to 22 July 2022, respectively. Such suspension was a heavy blow to the battered gaming industry in Macau. According to the statistical information published by DICJ, the total GGR in Macau for June 2022 and July 2022 were MOP2,477 million and MOP398 million, down 62.1% and 95.3% year-on-year when compared with that of June 2021 of MOP6,535 million and July 2021 of MOP8,444 million, respectively. Even though most of the Macau casinos were allowed to reopen since 23 July 2022 with limited operations, tourist volumes and accordingly business volumes (including the Group's business volumes in relation to its provision of casino management services and sale/leasing of electronic gaming equipment and systems in Macau) would be expected to remain low for a certain period.

The passing of the new gaming law in Macau by the Macau Legislative Assembly on 21 June 2022 served to provide new regulations and clear guidelines for the healthy and orderly development of the Macau gaming industry including satellite casinos, and to pave the way for officials to begin the process of issuing new gaming concessions, and therefore the long-term prosperity and stability of the city. As a casino management service provider, the operations of Casino Kam Pek Paradise would be affected by the enactment of the new gaming law. Macau's current six gaming concessions/sub-concessions expired on 26 June 2022 and the Macau government agreed to extend the gaming concessions/sub-concessions for a further period up to 31 December 2022. The Group has confirmed its commitment to SJM Resorts to continue providing efficient casino management services for Casino Kam Pek Paradise to 31 December 2022. If the concession contract between the Macau government and SJM Resorts (pursuant to which Casino Kam Pek Paradise is licensed for operation) is not renewed or further extended upon its stated expiration date, the Group may cease to generate any casino management service revenue, which is currently the Group's principal source of revenue and may have a material adverse effect on the Group's business, financial position, results of operations and cash flows. The Group shall stay tuned on the developments of the new gaming law in Macau in compliance with regulatory changes, as well as identifying cooperation opportunities in order to contribute to the Macau gaming industry within the ambit of the new gaming law.

With respect to our self-developed slot machines in the North American markets, during the six months ended 30 June 2022, the previous logistic issues concerning delay or cancellation of shipments which we experienced since the outbreak of Covid-19 have been gradually resolved as the majority of worldwide shipping vessels resumed to the pre-Covid-19 servicing level. Further, due to the general market decrease in the sale price of electronic gaming products (including our gaming machines) as a result of the impact from the Covid-19 pandemic on the global economy as well as the discount for the sale (but not leasing) of our gaming machines offered by the Group to our customers for bulk transactions, the sale price of the gaming machines has therefore become more attractive to the customers. As such, we have observed that our customers have a tendency to switch from leasing to purchasing our slot machines and gaming products in these markets, and the Group's sale of slot machines in overseas markets has been accordingly boosted during the six months ended 30 June 2022. We shall keep alert on the ever-changing market situations and revise our strategies in good time where necessary.



Our flagship product, the LMG machines, made strides in the gaming industry on the improvement of the operational efficiency of casinos and the provision of an optimal solution to resolve the issue of the climbing operating costs of casinos, particularly the labour costs of dealers. The unique features of the LMG machines compromised well to meet specific measures and requirements in view of the pandemic such as keeping a safe distance between gaming tables, and between gaming machines. As the new gaming law in Macau has accelerated the demise of the VIP gaming segment, we expect that the demand for our LMG machines and other ETG machines should continue to grow. The Group remains confident that LMG machines and other ETG machines have ample room for development in the future, both in Macau and in overseas gaming markets.

Looking ahead, the Group will brave challenges such as the protracted Covid-19 pandemic, and unstable market environment and geopolitical risks, etc. Despite our efforts to mitigate the current market quandary, we expect to continue facing strong headwinds and a lot of challenges from the threats and uncertainty of the outbreak of the Omicron sub-variants or more mutations and the enactment of the new gaming law in Macau in forthcoming years. The Group will closely monitor the performance, development and potential business risks of the gaming market business and will continue to identify cooperation opportunities to contribute to the Macau gaming industry within the ambit of the new gaming law in Macau, adopt a prudent investment policy on our research and development for our electronic gaming equipment and systems, and equip well for capturing the business opportunities from increasing demand for gaming machines in the global gaming markets so as to achieve a sustainable success in the long run.

Interim Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2022.

Liquidity and Financial Resources


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

The Group has adopted a prudent financial management approach towards its financial and treasury policies. During the six months ended 30 June 2022, the Group was on track with this approach to maintain a healthy liquidity position. The Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time. The Group may utilise the balance of cash for appropriate investment in accordance with the Group's strategic direction and development.

As at 30 June 2022, the consolidated net assets of the Group amounted to HK\$226.0 million, representing a decrease of HK\$93.0 million or 29.2% from HK\$319.0 million as at 31 December 2021. The decrease in consolidated net assets of the Group was mainly due to the Group's loss of HK\$96.7 million for the six months ended 30 June 2022.

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

As at 30 June 2022, the Group held pledged bank deposits of HK\$31.2 million, bank balances and cash of HK\$36.7 million and chips on hand of HK\$11.3 million.



The Group's pledged bank deposits of HK\$31.2 million as at 30 June 2022 comprised a fixed deposit of HK\$30.9 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\$36.7 million and chips on hand of HK\$11.3 million as at 30 June 2022 were mainly denominated in HK\$, MOP, RMB and US\$. Given MOP is pegged to HK\$ and HK\$ are linked to US\$, the Group considers the exposure to exchange rate risk is normal for its bank deposits denominated in MOP and US\$. Exchange rate of RMB against HK\$ fluctuated during the six months ended 30 June 2022. For accounting purposes, the Group's bank deposits denominated in RMB were retranslated into HK\$ at the exchange rate as at 30 June 2022 which resulted in a net unrealised exchange loss of HK\$0.5 million being recognised in the Group's results for the six months ended 30 June 2022 (six months ended 30 June 2021: a net unrealised exchange loss of HK\$0.1 million being recognised in the Group's results for the six months ended 30 June 2021).

Loan from a Shareholder

During the six months ended 30 June 2022, the Group entered into a deed of loan (the "Deed of Loan") with Dr. Jay Chun, a Shareholder and an executive Director, pursuant to which Dr. Chun agreed to provide a loan facility of HK\$60.0 million to the Group to strengthen the liquidity of the Group. The loan is conducted on normal commercial terms and is unsecured, carries interest at a fixed rate of 10% per annum and with maturity more than twelve months.

Subsequent to 30 June 2022, the Group entered into a deed of amendment to the Deed of Loan with Dr. Jay Chun pursuant to which Dr. Chun agreed to increase the loan facility from HK\$60.0 million to HK\$120.0 million and the loan under the facility is repayable on 31 December 2023.

During the six months ended 30 June 2022 and subsequent to 30 June 2022, aggregate amounts of HK\$30.0 million and HK\$35.0 million under the loan facility have been drawn down by the Group, respectively, giving a total of HK\$65.0 million under the loan facility has been utilised up to the date of this interim report.

Borrowings and Gearing Ratio

As at 30 June 2022, the Group had total outstanding indebtedness of HK\$156.4 million (31 December 2021: HK\$131.4 million) comprising:

- (1) secured and unguaranteed bank borrowings of HK\$123.3 million (31 December 2021: HK\$128.0 million) (*note i*);
- (2) unsecured and unguaranteed bank borrowing of HK\$0.9 million (31 December 2021: HK\$1.2 million) (*note ii*);
- (3) unsecured and unguaranteed loan from a Shareholder of HK\$30.0 million (31 December 2021: nil) (*note iii*);
- (4) unsecured and unguaranteed other borrowing of HK\$0.4 million (31 December 2021: HK\$0.5 million) (*note iv*); and
- (5) unsecured and unguaranteed amounts due to Directors of HK\$1.8 million (31 December 2021: HK\$1.7 million) (*note v*).

Notes:

- (i) The bank borrowings carried interest at prevailing market rates and were on floating rate basis.
- (ii) The bank borrowing carried interest at a fixed rate of 4% per annum.
- (iii) The loan from a Shareholder as at 30 June 2022 carried interest at a fixed rate of 10% per annum.
- (iv) The other borrowing was interest-free.
- (v) The amounts due to Directors were interest-free.



The maturity profile of the bank borrowings, other borrowing and the loan from a Shareholder totalling HK\$154.6 million as at 30 June 2022 spread over a period of more than five years, with HK\$10.0 million repayable within one year, HK\$39.8 million in the second year, HK\$30.3 million in the third to fifth years, and HK\$74.5 million over five years. The amounts due to Directors of HK\$1.8 million as at 30 June 2022 were repayable on demand. The Group's bank borrowings, other borrowing, loan from a Shareholder and amounts due to Directors were denominated in MOP or 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 consolidated total borrowings over consolidated net assets of the Group) as at 30 June 2022 was 69.2% (31 December 2021: 41.2%). The increase in the Group's gearing ratio was mainly due to the inception of loan from a Shareholder and the decrease in consolidated net assets of the Group during the six months ended 30 June 2022.

During the six months ended 30 June 2022, the Group did not employ any financial instruments for hedging purposes.

Continuing Connected Transactions

Reference is made to the Company's announcement dated 14 December 2021 in relation to the continuing connected transactions contemplated under the Renewed Supply Framework Agreement entered into between the Company (for itself and on behalf of its subsidiaries) and Mr. Feng (for himself and on behalf of companies controlled by him) for the supply of certain products of the Group to Mr. Feng and 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, as set out in the Company's announcement dated 14 December 2021, the annual cap for the year ending 31 December 2022 shall not be more than HK\$17.0 million. On 28 April 2022 and 2 June 2022, the Company (for itself and on behalf of its subsidiaries) and Mr. Feng (for himself and on behalf of companies controlled by him) entered into the First Supplemental Agreement and the Second Supplemental Agreement, respectively, pursuant to which the parties agreed to amend the terms of the Renewed Supply Framework Agreement to increase the annual cap under the Renewed Supply Framework Agreement for the year ending 31 December 2022 from HK\$17.0 million to HK\$24.0 million, and further to HK\$58.0 million. The Second Supplemental Agreement and the transactions contemplated thereunder (including the further revision of the annual cap under the Renewed Supply Framework Agreement for the year ending 31 December 2022 to HK\$58.0 million (the "Further Revision to Annual Cap")) was subject to the approval of the independent Shareholders at a special general meeting of the Company (the "SGM"). The SGM was held on 28 July 2022 and the Second Supplemental Agreement and the transactions contemplated thereunder (including the Further Revision to Annual Cap) were approved, confirmed and ratified by the independent Shareholders at the SGM.

Further details of the First Supplemental Agreement and the Second Supplemental Agreement are set out in the Company's announcement dated 28 April 2022, and the Company's announcement dated 2 June 2022 and the Company's circular dated 7 July 2022, respectively.

Capital Commitments

As at 30 June 2022, the Group had capital commitments in respect of acquisition of property, plant and equipment which is contracted for but not provided for of HK\$3.3 million (31 December 2021: HK\$4.8 million).

Foreign Exchange Exposure

The majority of the Group's income and expenses, bank deposits and borrowings are denominated in HK\$ (the Group's functional currency), MOP, RMB and US\$. HK\$ are linked to US\$ and the exchange rate between these two currencies has remained relatively stable over the past several years. MOP is pegged to HK\$, and in many cases the two currencies are used interchangeably in Macau. Due to the stable exchange rates between HK\$ and US\$ and between HK\$ and MOP, the Group does not consider any specific hedge for fluctuation of US\$ or MOP against HK\$ is necessary. The Group has net exchange exposure to RMB as it maintains certain bank deposits denominated in RMB during the six months ended 30 June 2022. The Group manages its foreign currency risk of RMB against HK\$ by closely monitoring the movement of the exchange rate and may consider specific hedge for significant foreign exchange exposure should additional need arise.



Charges on Group's Assets

As at 30 June 2022, leasehold land and buildings of the Group with the carrying amount of HK\$203.6 million were pledged to secure bank borrowings offered by banks to the Group.

In addition, as at 30 June 2022, the Group pledged bank fixed deposits of HK\$31.2 million, comprising HK\$30.9 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\$30.9 million was placed at a bank as fixed deposit pledged to secure for a guarantee in the amount of HK\$45.7 million issued by the bank for the period from 15 May 2020 to 30 June 2023 in favour of SJM Resorts for the Group's fulfilment of all its obligations, in particular for the reimbursement by the Group to SJM Resorts of the employees' compensation and benefits for those gaming operation employees employed by SJM Resorts who work for the casino under the management of the Group, as stipulated under the service agreement (and all related supplemental agreements) entered into between SJM Resorts and the Group for the provision of casino management services by the Group to SJM Resorts.

Contingent Liabilities

As at 30 June 2022, the Group did not have any significant contingent liabilities.

Material Acquisitions and Disposals, and Significant Investment

There were no material acquisitions or disposals (including material acquisitions and disposals of subsidiaries, associates and joint ventures), or significant investments of the Group during the six months ended 30 June 2022.

Future Plans for Material Investments or Capital Assets

As at 30 June 2022 and the date of this report, save as disclosed under the sub-section headed "Capital Commitments" above, the Group had no other plans for material investments or capital assets.

Employees and Remuneration Policy

As at 30 June 2022, the Group had approximately 720 employees, including approximately 380 gaming operation employees who were employed by SJM Resorts to work for Casino Kam Pek Paradise under the Group's management. These gaming operation employees were paid by SJM Resorts and the Group reimbursed SJM Resorts in full for their salaries and other benefits.

Total staff costs, including Directors' emoluments, for the six months ended 30 June 2022 amounted to HK\$125.5 million (six months ended 30 June 2021: HK\$131.8 million), including HK\$56.9 million (six months ended 30 June 2021: HK\$60.0 million) for gaming operation employees employed by SJM Resorts for Casino Kam Pek Paradise.

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



CORPORATE GOVERNANCE AND OTHER INFORMATION

Directors' and Chief Executives' Interests in Securities

As at 30 June 2022, the interests and short positions of the Directors and the chief executives of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register maintained by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

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

Notes:

- (1) All interests in Shares stated above represent long positions.
- (2) These Shares were held by August Profit Investments Limited, a company wholly-owned by Dr. Jay Chun, an executive Director.
- (3) These Shares were held by Best Top Offshore Limited, a company wholly-owned by Mr. Shan Shiyong, alias, Sin Sai Yung, an executive Director.
- (4) The percentage represents the number of Shares interested divided by the total number of issued Shares as at 30 June 2022.

Save as disclosed above, as at 30 June 2022, none of the Directors and the chief executives 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 30 June 2022, according to the register of interests kept by the Company under section 336 of the SFO, and so far as was known to the Directors or chief executives of the Company, the following persons or corporations, other than Directors or chief executives of the Company, had an interest or 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 Dr. 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 30 June 2022.

Save as disclosed above, as at 30 June 2022, 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.

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 six months ended 30 June 2022. There was no share option outstanding under the Share Option Scheme as at 1 January 2022, during the six months ended 30 June 2022 and as at 30 June 2022.

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. Further details of the Share Option Scheme are set out in the Annual Report 2021.



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.

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 and the Annual Report 2021.

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 30 June 2022. Accordingly, during the six months ended 30 June 2022, no Shares were purchased by the Trustee, and no awards were vested under the Share Award Scheme.

Issue for Cash of Equity Securities

During the six months ended 30 June 2022, the Company did not issue for cash any equity securities (including securities convertible into equity securities).

Purchase, Sale or Redemption of the Company's Shares

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2022.

Update on Directors' Information

Biographical details of each of the Directors are set out in the Annual Report 2021.

In August 2022, Mr. Jay Chun, the Chairman and the Managing Director of the Company, obtained a doctoral degree in business administration from the University of Macau.

Save as disclosed above, the Company is not aware of any changes in the Directors' information which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules subsequent to the date of the Annual Report 2021.

Corporate Governance

Amendments to the Bye-Laws

In light of the amendments to the Listing Rules being effective on 1 January 2022, amendments to the Bye-Laws were proposed by the Company on 24 March 2022 and were adopted by the Shareholders at the annual general meeting of the Company held on 26 May 2022. Further details of the amendments are set out in the Company's announcements dated 24 March 2022 and 26 May 2022, and the Company's circular dated 22 April 2022.

Change of Address of the Hong Kong Branch Share Registrar

With effect from 15 August 2022, Tricor Secretaries Limited, the Hong Kong Branch Share Registrar of the Company, has changed its address from Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong to 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

Compliance with the CG Code

In the opinion of the Board, the Company has complied with the code provisions as set out in the CG Code throughout the six months ended 30 June 2022, save for the following deviations:

Code Provision C.2.1

Dr. 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 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. The Board currently comprises three independent non-executive Directors which exceeds the number of executive Directors. The independent non-executive Directors could scrutinise important decisions with their independent judgement and monitor the power exercised by the Chairman and the Managing Director of the Company. Hence, the Board believes that balance of power and authority on the Board has been adequately ensured to protect the interests of the Company and the Shareholders, and it is in the best interest of the Shareholders that Dr. Jay Chun will continue to assume the roles of the Chairman of the Board and the Managing Director of the Company. The Company will review the current structure as and when it becomes appropriate in the future.

Compliance with the Model Code

The Company has adopted the Model Code as the code of conduct regarding Directors' securities transactions. Having made specific enquiry of all Directors, all Directors have confirmed that they had complied with the requirements set out in the Model Code during the six months ended 30 June 2022.

Review of Interim Report 2022 and Unaudited Condensed Consolidated Financial Statements for the six months ended 30 June 2022

The Interim Report 2022 of the Company including the unaudited condensed consolidated financial statements of the Company for the six months ended 30 June 2022 has been reviewed by the audit committee of the Company. The unaudited condensed consolidated financial statements of the Company for the six months ended 30 June 2022 have also been reviewed by Deloitte Touche Tohmatsu, the Company's independent auditor, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

Events After the Reporting Period

Save as disclosed elsewhere in this report, there is no important event after 30 June 2022 which is required to be disclosed.

By Order of the Board

Paradise Entertainment Limited

Dr. Jay Chun

Chairman and Managing Director

25 August 2022



REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

TO THE BOARD OF DIRECTORS OF PARADISE ENTERTAINMENT LIMITED

(incorporated in Bermuda with limited liability)

Introduction

We have reviewed the condensed consolidated financial statements of Paradise Entertainment Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 18 to 40, which comprise the condensed consolidated statement of financial position as of 30 June 2022 and the related condensed consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 Interim Financial Reporting (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

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

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong
25 August 2022

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2022

	NOTES	Six months ended 30 June	
		2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Revenue	3	181,138	257,866
Cost of sales and services		(160,877)	(146,886)
Gross profit		20,261	110,980
Other income, gains and losses		4,528	12,384
Marketing, selling and distribution costs		(24,293)	(33,283)
Operating and administrative expenses		(88,164)	(99,707)
Amortisation of intangible assets		(6,069)	(6,069)
Finance costs	5	(2,757)	(2,027)
Share of losses of a joint venture		—	(3,622)
Loss before taxation	6	(96,494)	(21,344)
Taxation	7	(184)	(187)
Loss for the period		(96,678)	(21,531)
Loss for the period attributable to:			
— owners of the Company		(87,930)	(20,774)
— non-controlling interests		(8,748)	(757)
		(96,678)	(21,531)
		HK cents (unaudited)	HK cents (unaudited)
Basic loss per share	9	(8.4)	(2.0)



CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Loss for the period	(96,678)	(21,531)
Other comprehensive income for the period:		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of foreign operations	3,128	495
Total comprehensive expense for the period	(93,550)	(21,036)
Total comprehensive expense for the period attributable to:		
— owners of the Company	(85,082)	(20,244)
— non-controlling interests	(8,468)	(792)
	(93,550)	(21,036)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022

	NOTES	At 30 June 2022 HK\$'000 (unaudited)	At 31 December 2021 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	10	243,462	261,670
Right-of-use assets		17,284	19,066
Intangible assets		38,436	44,505
Convertible loan		—	347
Interests in a joint venture		—	—
Other assets		8,172	6,132
Pledged bank deposits		—	30,748
		307,354	362,468
Current assets			
Inventories		43,203	49,177
Trade and other receivables	11	50,196	74,520
Amount due from a related company	12	7,941	1,052
Convertible loan		—	—
Pledged bank deposits		31,178	—
Bank balances and cash		36,665	64,043
		169,183	188,792
Current liabilities			
Trade and other payables	13	57,389	59,425
Amounts due to directors	14	1,770	1,740
Amount due to a joint venture		480	278
Taxation payable		8,684	8,877
Bank borrowings — due within one year	15	9,975	9,863
Other borrowing — due within one year	16	69	69
Lease liabilities		10,003	10,256
Contract liabilities	17	7,812	10,912
		96,182	101,420
Net current assets		73,001	87,372
Total assets less current liabilities		380,355	449,840



	NOTES	At 30 June 2022 HK\$'000 (unaudited)	At 31 December 2021 HK\$'000 (audited)
Non-current liabilities			
Bank borrowings — due after one year	15	114,261	119,302
Other borrowing — due after one year	16	347	381
Lease liabilities		9,700	11,130
Loan from a shareholder	18	30,000	—
		154,308	130,813
Net assets			
		226,047	319,027
Capital and reserves			
Share capital	19	1,052	1,052
Reserves		193,762	278,844
Equity attributable to owners of the Company		194,814	279,896
Non-controlling interests		31,233	39,131
Total equity			
		226,047	319,027

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	Attributable to owners of the Company					Non-controlling interests	Total
	Share capital	Contributed surplus	Translation reserve	Accumulated losses	Subtotal		
	HK\$'000	HK\$'000 (note)	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 31 December 2021 (audited)	1,052	1,020,504	18,775	(760,435)	279,896	39,131	319,027
Loss for the period	—	—	—	(87,930)	(87,930)	(8,748)	(96,678)
Other comprehensive income for the period	—	—	2,848	—	2,848	280	3,128
Total comprehensive income (expense) for the period	—	—	2,848	(87,930)	(85,082)	(8,468)	(93,550)
Deregistration of a subsidiary	—	—	—	—	—	570	570
At 30 June 2022 (unaudited)	1,052	1,020,504	21,623	(848,365)	194,814	31,233	226,047
At 31 December 2020 (audited)	1,052	1,020,504	17,356	(674,320)	364,592	41,467	406,059
Loss for the period	—	—	—	(20,774)	(20,774)	(757)	(21,531)
Other comprehensive income (expense) for the period	—	—	530	—	530	(35)	495
Total comprehensive income (expense) for the period	—	—	530	(20,774)	(20,244)	(792)	(21,036)
At 30 June 2021 (unaudited)	1,052	1,020,504	17,886	(695,094)	344,348	40,675	385,023

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



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Operating cash flows before movements in working capital	(57,041)	9,910
Decrease (increase) in inventories and others	5,346	(9,673)
Decrease in trade and other receivables	23,250	6,051
(Decrease) increase in contract liabilities	(3,100)	12,314
Decrease in trade and other payables	(1,207)	(3,609)
Other changes in working capital	(6,687)	(238)
Cash (used in) from operations	(39,439)	14,755
Income tax paid	(377)	(329)
Net cash (used in) from operating activities	(39,816)	14,426
Investing activities		
Purchases of property, plant and equipment	(3,602)	(1,700)
Deposits paid for acquisition of property, plant and equipment	(1,356)	(2,864)
Advances to a joint venture	—	(33)
Payments for rental deposits	(751)	—
Proceeds from rental deposits refunded	1,195	55
Interest received	764	806
Subscription of convertible loan	—	(10,000)
Placement of pledged bank deposits	(430)	(418)
Acquisitions of subsidiaries	—	(330)
Proceeds on disposal of property, plant and equipment	—	350
Net cash used in investing activities	(4,180)	(14,134)
Financing activities		
Loan from a shareholder	30,000	—
Advances from directors	30	65
Repayment of lease liabilities	(5,436)	(7,471)
Repayment of bank borrowings	(4,929)	(4,820)
Interest paid	(2,521)	(2,037)
Repayment of other borrowing	(34)	—
Net cash from (used in) financing activities	17,110	(14,263)
Net decrease in cash and cash equivalents	(26,886)	(13,971)
Effect of foreign exchange rate changes	(492)	(937)
Cash and cash equivalents at 1 January	64,043	129,244
Cash and cash equivalents at 30 June, represented by		
Bank balances and cash	36,665	114,336

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

1. GENERAL INFORMATION AND BASIS OF PREPARATION

Paradise Entertainment Limited (the “Company”) was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The addresses of the registered office and principal place of business of the Company are disclosed in the “Corporate Information” section of this interim report.

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

The outbreak of a respiratory illness caused by a novel coronavirus (“Covid-19”) since early 2020 continues to have negative impacts to the business environment and the operations of the Company and its subsidiaries (collectively referred to as the “Group”). As such, the financial positions and performance of the Group were affected in different aspects, including an adverse impact on the revenue and the recognition of losses from both the casino management services segment and the gaming systems segment for the six months ended 30 June 2022.

Going concern assessment

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

The condensed consolidated financial statements have been prepared on a going concern basis. As at 30 June 2022, the Group had cash and cash equivalents of HK\$36,665,000 and net current assets of HK\$73,001,000. 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 the 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 30 June 2022.

In preparing the cash flow forecast, the directors of the Company have considered the reliance of the existing concession contract between the Macau government and SJM Resorts, Limited (“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.



1. GENERAL INFORMATION AND BASIS OF PREPARATION (Continued)

Going concern assessment (Continued)

On 23 June 2022, the existing concession contract between the Macau government and SJM Resorts which would originally expire on 26 June 2022 has been extended for a further period up to 31 December 2022. If the concession contract is not renewed or further extended upon its stated expiration date, the Group may cease to generate any casino management service revenue, which is currently the Group's principal source of revenue and may have a material adverse effect on the Group's business, financial position, 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. 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 Dr. Jay Chun, a shareholder and an executive director of the Company, to the Group (note 18) to meet its financial obligations as they fall due for the following twelve months from 30 June 2022.

2. SIGNIFICANT ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2022 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2021.

Application of amendments to Hong Kong Financial Reporting Standards ("HKFRSs")

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2022 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020

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

3. REVENUE

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

	Six months ended 30 June	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Casino management services:		
Provision of casino management services, recognised over time	154,041	227,727
Gaming systems:		
— Macau		
Sale of electronic gaming equipment and systems, recognised at a point in time	2,502	24,557
Leasing of electronic gaming equipment and systems — variable operating lease payments	2,295	1,135
	4,797	25,692
— Overseas		
Sale of electronic gaming equipment and systems, recognised at a point in time	20,352	1,035
Leasing of electronic gaming equipment and systems — variable operating lease payments	959	1,600
	21,311	2,635
— Royalty income, recognised over time	989	1,812
	27,097	30,139
Total	181,138	257,866
Analysis of revenue:		
Recognised over time	155,030	229,539
Recognised at a point in time	22,854	25,592
Revenue recognition for revenue from contracts with customers	177,884	255,131
Leasing income — variable operating lease payments	3,254	2,735
Total	181,138	257,866



4. SEGMENT INFORMATION

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

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

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

Information regarding the above segments is reported below:

For the six months ended 30 June 2022 (unaudited)

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

4. SEGMENT INFORMATION (Continued)

For the six months ended 30 June 2021 (unaudited)

	Casino management services HK\$'000	Gaming systems HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Segment revenue	227,727	30,139		257,866
Segment results	21,632	(21,254)		378
Unallocated corporate income				7,577
Unallocated corporate expenses				(23,650)
Finance costs				(2,027)
Share of losses of a joint venture				(3,622)
Loss before taxation				(21,344)
Taxation				(187)
Loss for the period				(21,531)
Other information				
Capital expenditure	3,409	4,639	7,254	15,302
Amortisation of intangible assets	6,069	—	—	6,069
Depreciation of property, plant and equipment	9,433	4,954	773	15,160
Depreciation of right-of-use assets	2,298	2,296	3,132	7,726
Write-down of inventories	—	—	93	93

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.

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.

	Six months ended 30 June	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Macau	158,838	253,419
U.S.	22,300	4,447
	181,138	257,866

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



4. SEGMENT INFORMATION (Continued)

Information about major customers

During the six months ended 30 June 2022, revenue derived from two (six months ended 30 June 2021: one) customers, which individually contributed over 10% of the Group's revenue, is as follows:

	Six months ended 30 June	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Customer A — Casino management services segment	154,041	227,727
Customer B* — Gaming systems segment	21,311	N/A*
	175,352	227,727

* Revenue from this customer was less than 10% of the Group's revenue for the six months ended 30 June 2021.

5. FINANCE COSTS

	Six months ended 30 June	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Interest on:		
— bank borrowings	1,516	1,637
— loan from a shareholder	887	—
— lease liabilities	354	390
	2,757	2,027

6. LOSS BEFORE TAXATION

	Six months ended 30 June	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Loss before taxation has been arrived at after charging:		
Directors' emoluments	8,119	8,165
Other staff costs		
— Salaries and other benefits	59,178	62,673
— Retirement benefit scheme contributions	1,315	1,104
Total staff costs	68,612	71,942
Cost of inventories recognised as expenses (included in cost of sales and services)	17,622	2,282
Depreciation of property, plant and equipment	15,164	15,160
Depreciation of right-of-use assets	5,619	7,726
Short-term lease rentals in respect of rented premises	8,836	9,504
Variable lease rentals in respect of rented premises which are not included in lease liabilities	10,973	11,138
Commission expenses for casino management services (included in marketing, selling and distribution costs)	9,029	17,433
Loss on disposal/write-off of property, plant and equipment (included in other income, gains and losses)	2,793	—
Research and development expenditure (note i) (included in operating and administrative expenses)	28,783	37,045
Loss from change in fair value of convertible loan (included in other income, gains and losses)	347	—
Write-down of inventories (included in cost of sales and services)	3,551	93
and after crediting:		
Net gain on acquisitions of subsidiaries (included in other income, gains and losses)	—	3,252
Covid-19-related rent concessions (note ii)	227	433
Interest on convertible loan (included in other income, gains and losses)	237	120

Notes:

- (i) Research and development expenditure for the six months ended 30 June 2022 of HK\$28,783,000 (six months ended 30 June 2021: HK\$37,045,000) includes staff costs of HK\$16,520,000 (six months ended 30 June 2021: HK\$21,565,000), depreciation of property, plant and equipment of HK\$680,000 (six months ended 30 June 2021: HK\$740,000), depreciation of right-of-use assets of HK\$1,370,000 (six months ended 30 June 2021: HK\$1,640,000), which are included in the respective total amounts disclosed separately above.
- (ii) During the six months ended 30 June 2022, lessors of certain office premises and staff quarters of the Group provided rent concessions to the Group through rent reductions ranging from 24% to 100% over three to six months (six months ended 30 June 2021: 20% to 24% over one to four months).

These were rent concessions that occurred as a direct consequence of the Covid-19 pandemic, which met all of the conditions in HKFRS 16.46B and the Group applied the practical expedient not to assess whether the changes constituted lease modifications. The effects of the changes in lease payments due to forgiveness or waiver by the lessors for the relevant leases of HK\$227,000 (six months ended 30 June 2021: HK\$433,000) were recognised as negative variable lease payments.



7. TAXATION

	Six months ended 30 June	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Current taxation charge (credit)		
— Macau Complementary Tax	—	(1)
— Lump Sum Dividend Tax	184	188
	184	187

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

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

Pursuant to the letters issued by the Financial Services Bureau of the Macau government dated 15 August 2017 and 28 October 2020, the revenue generated from the service agreement signed between LT (Macau) Limited (“LT Macau”), a wholly-owned subsidiary of the Company incorporated in Macau, and SJM Resorts is not subject to Macau CT for the period from 1 January 2017 to 31 March 2020 and for the period from 1 April 2020 to 26 June 2022, respectively, since it is derived from SJM Resorts gaming revenue, for which gaming revenue is exempted from Macau CT pursuant to the terms of no. 2 of article 28 of the Law 16/2001 and the exemption granted by Despach no. 378/2011 of 23 November 2011. LT Macau is seeking an extension of the tax arrangement after 26 June 2022 from the Financial Services Bureau.

Pursuant to the letter issued by the Financial Services Bureau of the Macau government dated 28 October 2020, LT Macau is obligated to pay an annual lump sum dividend withholding tax of MOP388,000 (equivalent to HK\$377,000) for the period from 1 January 2021 to 31 December 2021 and MOP190,000 (equivalent to HK\$184,000) for the period from 1 January 2022 to 26 June 2022, respectively, as payment in lieu of Macau CT otherwise due by the shareholders of LT Macau on dividend distributions from gaming profits generated in relation to the operation of the casino at Casino Kam Pek Paradise. These annual lump sum tax payments are required regardless of whether dividends were actually distributed or whether LT Macau had distributable profits in the relevant periods. For the six months ended 30 June 2022, provision for taxation of HK\$184,000 (six months ended 30 June 2021: HK\$188,000) has been recognised which was charged to the condensed consolidated statement of profit or loss.

No provision for taxation for the People’s Republic of China (“PRC”) and overseas subsidiaries has been made in the condensed consolidated financial statements as the Group has no assessable profits arising from operations of these subsidiaries for both periods.

8. DIVIDEND

No dividend was paid, declared or proposed in respect of both interim periods. The directors of the Company have determined that no dividend will be paid in respect of the six months ended 30 June 2022.

9. LOSS PER SHARE

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

	Six months ended 30 June	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Loss		
Loss for the period attributable to the owners of the Company for the purposes of basic loss per share	(87,930)	(20,774)

	Six months ended 30 June	
	2022 '000 (unaudited)	2021 '000 (unaudited)
Number of shares		
Weighted average number of ordinary shares for the purposes of basic loss per share	1,052,185	1,052,185

For the six months ended 30 June 2022 and 30 June 2021, no diluted loss per share were presented as there were no dilutive potential ordinary shares.

10. PROPERTY, PLANT AND EQUIPMENT

	At 30 June 2022 HK\$'000 (unaudited)	At 31 December 2021 HK\$'000 (audited)
	Property, plant and equipment	
<i>Carrying values</i>		
Leasehold land and buildings	203,639	207,343
Leasehold improvements	6,167	7,464
Plant and machinery	27,917	39,807
Furniture, fixtures and equipment	4,454	4,741
Motor vehicles	1,285	2,315
Total	243,462	261,670

During the six months ended 30 June 2022, the Group incurred HK\$12,737,000 (six months ended 30 June 2021: HK\$5,427,000) on purchases of property, plant and equipment.



11. TRADE AND OTHER RECEIVABLES

	At 30 June 2022 HK\$'000 (unaudited)	At 31 December 2021 HK\$'000 (audited)
Trade receivables, net (note i)	5,996	26,518
Chips on hand (note ii)	11,304	10,612
Deposits paid	15,750	16,866
Loan receivable (note iii)	7,799	7,799
Other receivables	5,492	5,763
Prepayments	3,855	6,962
	50,196	74,520

Notes:

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

As at 30 June 2022, trade receivables of HK\$5,996,000 (31 December 2021: HK\$26,518,000) comprised receivables from contracts with customers and lease receivables of HK\$5,266,000 (31 December 2021: HK\$26,479,000) and HK\$730,000 (31 December 2021: HK\$39,000), respectively.

Before accepting any new customer, the Group gathers and assesses the credit information of the potential customer for considering the customer's quality and determining the credit limits for that customer. Recoverability and credit limit of the existing customers are reviewed by the Group regularly. At the end of the reporting period, included in the Group's trade receivable balances are receivables with an aggregate carrying amount of HK\$5,515,000 (31 December 2021: HK\$24,683,000) which are not past due. The directors of the Company considered that trade receivables are of good credit quality given the continuous settlements from the gaming operator and other customers and forward-looking information such as the economic outlook.

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

As at 30 June 2022, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK\$481,000 (31 December 2021: HK\$1,835,000) which are past due as at the reporting date. The Group does not hold any collateral over these balances.

As at 30 June 2022, 92.0% (31 December 2021: 93.1%) 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.

11. TRADE AND OTHER RECEIVABLES (Continued)

Notes: (Continued)

(i) (Continued)

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

	At 30 June 2022 HK\$'000 (unaudited)	At 31 December 2021 HK\$'000 (audited)
0-30 days	5,515	24,683
31-60 days	481	5
61-90 days	—	1,830
	5,996	26,518

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

(iii) The amount represented a loan granted by the Group to a third party which is a company incorporated in Japan and principally engaged in the development and manufacture of gaming products. The loan is unsecured, bears interest at the rate of 8% per annum and is guaranteed by a director of an indirect non-wholly owned subsidiary of the Company who also holds an 18% shareholding in this non-wholly owned subsidiary. The maturity date of the outstanding loan principal and accrued interest is 5 October 2022. At 30 June 2022, an amount of the interest receivable of HK\$1,298,000 (31 December 2021: HK\$988,000) accrued from the loan was included in other receivables.

12. AMOUNT DUE FROM A RELATED COMPANY

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

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



12. AMOUNT DUE FROM A RELATED COMPANY (Continued)

Following is the aged analysis of the amount due from a related company at the end of the reporting period based on the invoice date:

	At 30 June 2022 HK\$'000 (unaudited)	At 31 December 2021 HK\$'000 (audited)
0–30 days	6,713	1,052
31–60 days	167	—
61–90 days	1,061	—
	7,941	1,052

The balance is not credit-impaired at the end of the reporting period.

13. TRADE AND OTHER PAYABLES

	At 30 June 2022 HK\$'000 (unaudited)	At 31 December 2021 HK\$'000 (audited)
Trade payables	8,826	4,536
Accrued staff costs	19,841	21,361
Accrued promotional expenses	10,979	14,444
Deposits received	680	680
Payable for acquisition of property, plant and equipment	4,717	5,369
Other sundry payables	9,406	9,399
Other accrued expenses	2,940	3,636
	57,389	59,425

13. TRADE AND OTHER PAYABLES (Continued)

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

	At 30 June 2022 HK\$'000 (unaudited)	At 31 December 2021 HK\$'000 (audited)
0–30 days	5,547	3,113
31–60 days	1,850	97
61–90 days	827	49
91–365 days	66	325
Over 365 days	536	952
	8,826	4,536

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

14. AMOUNTS DUE TO DIRECTORS

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

15. BANK BORROWINGS

	At 30 June 2022 HK\$'000 (unaudited)	At 31 December 2021 HK\$'000 (audited)
Bank borrowings		
Secured bank mortgage loans (note (i))	123,373	127,978
Unsecured bank loan (note (ii))	863	1,187
	124,236	129,165
The bank borrowings are repayable as follows*:		
Within one year	9,975	9,863
Within a period of more than one year but not exceeding two years	9,768	9,981
Within a period of more than two years but not exceeding five years	30,108	29,739
Within a period of more than five years	74,385	79,582
	124,236	129,165
Less: Amounts due within 12 months shown under current liabilities	(9,975)	(9,863)
Amounts due after 12 months shown under non-current liabilities	114,261	119,302

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



15. BANK BORROWINGS (Continued)

Notes:

- (i) At 30 June 2022, 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% (31 December 2021: Prime rate minus 2.85%) per annum. The effective interest rate of the bank mortgage loans was 2.4% (31 December 2021: 2.4%) per annum.

At 30 June 2022, the bank mortgage loans were secured by mortgages over the Group's leasehold land and buildings with an aggregate carrying amount of HK\$203,639,000 (31 December 2021: HK\$207,343,000). The bank mortgage loans are denominated in MOP and HK\$.

- (ii) As at 30 June 2022, the unsecured bank loan carried a fixed interest rate of 4% (31 December 2021: 4%) per annum.

16. OTHER BORROWING

	At 30 June 2022 HK\$'000 (unaudited)	At 31 December 2021 HK\$'000 (audited)
Unsecured other borrowing	416	450
The other borrowing is repayable as follows*:		
Within one year	69	69
Within a period of more than one year but not exceeding two years	69	69
Within a period of more than two years but not exceeding five years	208	208
Within a period of more than five years	70	104
	416	450
Less: Amounts due within 12 months shown under current liabilities	(69)	(69)
	347	381

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

As at 30 June 2022 and 31 December 2021, the unsecured other borrowing was interest-free.

17. 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 and delivered, on-site installation is satisfied as per terms of relevant sale contracts and titles have been passed. As at 30 June 2022, the amount of HK\$7,812,000 (31 December 2021: HK\$10,912,000) 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 30 June 2022, the decrease in contract liabilities is due to less deposits from customers before the Group satisfies the performance obligations. As at 1 January 2021, the contract liabilities amounted to HK\$3,826,000 which was fully recognised as revenue during the year ended 31 December 2021.

18. LOAN FROM A SHAREHOLDER

During the six months ended 30 June 2022, the Group entered into a deed of loan (the “Deed of Loan”) with Dr. Jay Chun, a shareholder and an executive director of the Company, pursuant to which Dr. Chun agreed 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 interest at a fixed rate of 10% per annum with maturity more than twelve months.

Subsequent to 30 June 2022, the Group entered into a deed of amendment to the Deed of Loan with Dr. Jay Chun pursuant to which Dr. Chun agreed to increase the loan facility from HK\$60,000,000 to HK\$120,000,000 and the loan under the facility is repayable on 31 December 2023.

During the six months ended 30 June 2022 and subsequent to 30 June 2022, aggregate amounts of HK\$30,000,000 and HK\$34,960,000 under the loan facility have been drawn down by the Group, respectively, giving a total of HK\$64,960,000 under the loan facility has been utilised up to the issuance date of the condensed consolidated financial statements.

19. SHARE CAPITAL

	Number of shares '000	Share capital HK\$'000
--	-----------------------------	------------------------------

Ordinary shares of HK\$0.001 each

Authorised:

At 31 December 2020 (audited), 31 December 2021 (audited)
and 30 June 2022 (unaudited)

1,000,000,000 1,000,000

Issued and fully paid:

At 31 December 2020 (audited), 31 December 2021 (audited)
and 30 June 2022 (unaudited)

1,052,185 1,052

20. MAJOR NON-CASH TRANSACTIONS

During the six months ended 30 June 2022, property, plant and equipment of HK\$12,710,000 (six months ended 30 June 2021: HK\$516,000) were transferred to inventories.

21. CAPITAL COMMITMENTS

	At 30 June 2022 HK\$'000 (unaudited)	At 31 December 2021 HK\$'000 (audited)
Capital expenditure in respect of property, plant and equipment contracted for but not provided for in the condensed consolidated financial statements	3,268	4,796



22. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

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

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

Fair value of the convertible loan that is measured at fair value as at 30 June 2022 on a recurring basis:

Financial asset	Fair value HK\$'000	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Sensitivity/relationship of unobservable inputs to fair value
Financial asset at fair value through profit or loss: Convertible loan	Nil (31 December 2021: 347)	Level 3	Discounted cash flow model with discount rate as the key input	Discount rate: 15.56% (31 December 2021: 15.56%)	N/A (31 December 2021: Increase in discount rate would result in decrease in fair value of the convertible loan, and vice versa)

During the six months ended 30 June 2022, unrealised loss from change in fair value of convertible loan of HK\$347,000 has been recognised in the condensed consolidated financial statements of the Group (included in other income, gains and losses) for the six months ended 30 June 2022.

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

23. RELATED PARTY TRANSACTIONS

Except for disclosures made elsewhere in the condensed consolidated financial statements, the Group had the following significant transactions during the reporting period with related parties:

	Six months ended 30 June	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Sale of electronic gaming equipment and systems (note i)	20,352	1,035
Leasing of electronic gaming equipment and systems (note i)	959	1,600
Consultancy fee (note ii)	60	180
Staff costs (note iii)	1,899	1,831
Sale of frozen food and products (note iv)	794	146
Interest income (note iv)	237	120
Interest on loan from a shareholder (note v)	887	—

23. RELATED PARTY TRANSACTIONS (Continued)

Notes:

- (i) The related parties are companies wholly-owned by the brother-in-law of Dr. Jay Chun, a shareholder and an executive director of the Company. The transactions were charged at pre-determined amounts agreed between the parties involved. These transactions constitute continuing connected transactions for the purpose of Chapter 14A of the Listing Rules.
- (ii) The related party is the brother-in-law of Dr. Jay Chun, a shareholder and an executive director of the Company. The transactions were charged at pre-determined amounts agreed between the parties involved.
- (iii) The related party is the spouse of Dr. Jay Chun, a shareholder and an executive director of the Company. The transactions were charged at pre-determined amounts agreed between the parties involved.
- (iv) The related party is a joint venture of the Group. The transactions were charged at pre-determined amount or rate agreed between the parties involved.
- (v) The transaction was charged at pre-determined rate of loan from Dr. Jay Chun, a shareholder and an executive director of the Company.

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

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

24. EVENT AFTER THE REPORTING PERIOD

Other than as disclosed elsewhere in the condensed consolidated financial statements, there is no other event after the reporting period which is required to be disclosed.



DEFINITIONS

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

“Adjusted EBITDA”	the Group’s profit or loss for the period before interest income, finance costs, taxation, depreciation of property, plant and equipment, loss on disposal/write-off of property, plant and equipment, depreciation of right-of-use assets, gain on early termination of lease contracts, amortisation of intangible assets, gain or loss on acquisition or deregistration of subsidiaries, loss from change in fair value of convertible loan and costs incurred or associated with corporate exercises or potential projects, where applicable
“Annual Report 2021”	the annual report of the Company dated 24 March 2022 for the year ended 31 December 2021
“Board”	the board of Directors
“Bye-Laws”	the bye-laws of the Company as amended from time to time
“CG Code”	the Corporate Governance Code contained in Appendix 14 to the Listing Rules
“Company”	Paradise Entertainment Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange
“DICJ”	Direcção de Inspeção e Coordenação de Jogos, the Gaming Inspection and Coordination Bureau in Macau
“Director(s)”	the director(s) of the Company
“ETG”	electronic table game
“GGR”	gross gaming revenue, being total net win generated by all casino gaming activities combined, calculated before deduction of commissions and other expenses, if any
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IGT”	a Nevada corporation and a subsidiary of International Game Technology PLC, which is listed on the New York Stock Exchange under the trading symbol “IGT”
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“LMG”	live multi game
“Macau”	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
“Mr. Feng”	Mr. Linyi Feng, the brother-in-law of Dr. Jay Chun (the controlling Shareholder, the executive Director, the Chairman and the Managing Director of the Company)
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Share(s)”	ordinary share(s) of HK\$0.001 each in the share capital of the Company
“Share Award Scheme”	the share award scheme of the Company adopted by the Company on 11 November 2019
“Share Option Scheme”	the share option scheme of the Company adopted by the Company at the annual general meeting held on 25 May 2017
“Shareholder(s)”	holder(s) of the Shares
“SJM Resorts”	SJM Resorts, Limited (formerly known as Sociedade de Jogos de Macau, S.A.), one of the three concessionaires for operation of casinos in Macau
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$”	the United States dollars, the lawful currency of the United States of America
“%”	per cent