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PARADISE ENTERTAINMENT LIMITED

滙彩控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1180)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

RESULTS

The Board announces the audited consolidated annual results of the Group for the year ended 31 December 2022 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2022

	Notes	2022 HK\$'000	2021 HK\$'000
Revenue	4	297,820	494,126
Cost of sales and services		<u>(270,272)</u>	<u>(304,190)</u>
Gross profit		27,548	189,936
Other income, gains and losses		11,136	5,452
Marketing, selling and distribution costs		(41,643)	(67,533)
Operating and administrative expenses		(148,350)	(191,125)
Amortisation of intangible assets		(12,138)	(12,138)
Finance costs	6	(7,515)	(3,999)
Share of losses of a joint venture		<u>—</u>	<u>(8,585)</u>
Loss before taxation	7	(170,962)	(87,992)
Taxation credit (charge)	8	<u>4,632</u>	<u>(375)</u>
Loss for the year		<u><u>(166,330)</u></u>	<u><u>(88,367)</u></u>
Loss for the year attributable to:			
— Owners of the Company		(154,565)	(86,115)
— Non-controlling interests		<u>(11,765)</u>	<u>(2,252)</u>
		<u><u>(166,330)</u></u>	<u><u>(88,367)</u></u>
		HK cents	HK cents
Basic loss per Share	10	<u><u>(14.7)</u></u>	<u><u>(8.2)</u></u>

* For identification purposes only

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Loss for the year	(166,330)	(88,367)
Other comprehensive income for the year:		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of foreign operations	<u>4,422</u>	<u>1,335</u>
Total comprehensive expense for the year	<u>(161,908)</u>	<u>(87,032)</u>
Total comprehensive expense for the year attributable to:		
— Owners of the Company	(150,582)	(84,696)
— Non-controlling interests	<u>(11,326)</u>	<u>(2,336)</u>
	<u>(161,908)</u>	<u>(87,032)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	<i>Notes</i>	2022 HK\$'000	2021 HK\$'000
Non-current assets			
Property, plant and equipment		239,129	261,670
Right-of-use assets		35,877	19,066
Intangible assets		32,367	44,505
Convertible loan		—	347
Interests in a joint venture		—	—
Other assets		13,523	6,132
Pledged bank deposits		<u>31,174</u>	<u>30,748</u>
		<u>352,070</u>	<u>362,468</u>
Current assets			
Inventories		37,590	49,177
Trade and other receivables	11	33,613	74,520
Amount due from a related company		3,816	1,052
Convertible loan		—	—
Bank balances and cash		<u>20,179</u>	<u>64,043</u>
		<u>95,198</u>	<u>188,792</u>
Current liabilities			
Trade and other payables	12	52,217	59,425
Amounts due to Directors		1,773	1,740
Amounts due to a joint venture		—	278
Taxation payable		3,684	8,877
Bank borrowings — due within one year		6,087	9,863
Other borrowing — due within one year		69	69
Lease liabilities		13,651	10,256
Contract liabilities		7,190	10,912
Loans from a Shareholder	13	<u>64,960</u>	<u>—</u>
		<u>149,631</u>	<u>101,420</u>
Net current (liabilities) assets		<u>(54,433)</u>	<u>87,372</u>
Total assets less current liabilities		<u>297,637</u>	<u>449,840</u>
Non-current liabilities			
Bank borrowings — due after one year		115,036	119,302
Other borrowing — due after one year		312	381
Lease liabilities		<u>24,599</u>	<u>11,130</u>
		<u>139,947</u>	<u>130,813</u>
Net assets		<u>157,690</u>	<u>319,027</u>
Capital and reserves			
Share capital		1,052	1,052
Reserves		<u>128,262</u>	<u>278,844</u>
Equity attributable to owners of the Company		129,314	279,896
Non-controlling interests		<u>28,376</u>	<u>39,131</u>
		<u>157,690</u>	<u>319,027</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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. Its ultimate holding company is August Profit Investments Limited, a company established in the British Virgin Islands. In the opinion of the Directors, the Company's ultimate controlling party is Dr. Chun, who is also an executive Director. The address of the registered office of the Company is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and principal place of business of the Company is Unit C, 19/F., Entertainment Building, 30 Queen's Road Central, Hong Kong.

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

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

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Listing Rules and by the Hong Kong Companies Ordinance.

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

Going concern assessment

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

The consolidated financial statements have been prepared on a going concern basis. As at 31 December 2022, the Group had cash and cash equivalents of HK\$20,179,000 and net current liabilities of HK\$54,433,000. 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 and the growth rates of the gaming markets. 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 2022.

The Macau government has awarded SJM Resorts a new gaming concession for a period of ten years from 1 January 2023 to 31 December 2032. On 30 December 2022, the Group extended its service agreement with SJM Resorts for the provision of casino management services in Casino Kam Pek Paradise, a satellite casino of SJM Resorts, for the period from 1 January 2023 to 31 December 2025.

The Directors are satisfied with the granted concession contract between the Macau government and SJM Resorts and the service agreement between SJM Resorts and the Group are 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, extension of loan facilities offered by Dr. Chun to the Group to meet its financial obligations as they fall due for the following twelve months from the date of approval of the consolidated financial statements for the year ended 31 December 2022.

3. APPLICATION OF AMENDMENTS TO HKFRSs

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, 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 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 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.

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 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ³
Amendments to HKAS 1	Non-current Liabilities with Covenants ³
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹

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

² Effective for annual periods beginning on or after a date to be determined

³ Effective for annual periods beginning on or after 1 January 2024

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

4. REVENUE

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Casino management services:		
Provision of casino management services, recognised over time	<u>266,904</u>	<u>415,712</u>
Gaming systems:		
— Macau		
Sale of electronic gaming equipment and systems, recognised at a point in time	3,536	61,733
Leasing of electronic gaming equipment and systems — variable operating lease payments	<u>3,863</u>	<u>2,950</u>
	<u>7,399</u>	<u>64,683</u>
— Overseas		
Sale of electronic gaming equipment and systems, recognised at a point in time	20,352	6,519
Leasing of electronic gaming equipment and systems — variable operating lease payments	<u>959</u>	<u>4,408</u>
	<u>21,311</u>	<u>10,927</u>
— Royalty income, recognised over time	<u>2,206</u>	<u>2,804</u>
	<u>30,916</u>	<u>78,414</u>
Total	<u><u>297,820</u></u>	<u><u>494,126</u></u>
Analysis of revenue:		
Recognised over time	269,110	418,516
Recognised at a point in time	<u>23,888</u>	<u>68,252</u>
Revenue recognition for revenue from contracts with customers	292,998	486,768
Leasing income — variable operating lease payments	<u>4,822</u>	<u>7,358</u>
Total	<u><u>297,820</u></u>	<u><u>494,126</u></u>

5. SEGMENT INFORMATION

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

Segment revenue and results

Information regarding the above segments is reported below:

For the year ended 31 December 2022

	Casino management services <i>HK\$'000</i>	Gaming systems <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment revenue	<u>266,904</u>	<u>30,916</u>		<u>297,820</u>
Segment results	<u>(70,585)</u>	<u>(68,640)</u>		(139,225)
Unallocated corporate income				11,185
Unallocated corporate expenses				(35,407)
Finance costs				<u>(7,515)</u>
Loss before taxation				(170,962)
Taxation credit				<u>4,632</u>
Loss for the year				<u>(166,330)</u>
Other information				
Capital expenditure	31,449	20,661	561	52,671
Amortisation of intangible assets	12,138	—	—	12,138
Depreciation of property, plant and equipment	18,330	9,317	1,765	29,412
Depreciation of right-of-use assets	3,336	3,631	4,098	11,065
(Gain) loss on disposal/write-off of property, plant and equipment	(624)	3,377	3	2,756
Loss from change in fair value of convertible loan	—	—	347	347
Impairment loss in respect of amount due from a joint venture	—	—	141	141
Write-down of inventories	<u>—</u>	<u>3,533</u>	<u>64</u>	<u>3,597</u>

For the year ended 31 December 2021

	Casino management services <i>HK\$'000</i>	Gaming systems <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment revenue	<u>415,712</u>	<u>78,414</u>		<u>494,126</u>
Segment results	<u>8,482</u>	<u>(34,818)</u>		(26,336)
Unallocated corporate income				9,163
Unallocated corporate expenses				(58,235)
Finance costs				(3,999)
Share of losses of a joint venture				<u>(8,585)</u>
Loss before taxation				(87,992)
Taxation charge				<u>(375)</u>
Loss for the year				<u>(88,367)</u>
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	<u>—</u>	<u>316</u>	<u>104</u>	<u>420</u>

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 U.S.

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

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Macau	274,303	480,395
U.S.	23,517	13,731
	<u>297,820</u>	<u>494,126</u>

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

Information about major customers

During the year ended 31 December 2022, revenue derived from one (2021: one) customer, which individually contributed over 10% of the Group's revenue, is as follows:

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Casino management services segment	266,904	415,712
Gaming systems segment	8	30,505
	<u>266,912</u>	<u>446,217</u>

6. FINANCE COSTS

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on:		
— bank borrowings	3,102	3,240
— loans from a Shareholder	3,753	—
— lease liabilities	660	759
	<u>7,515</u>	<u>3,999</u>

7. LOSS BEFORE TAXATION

2022
HK\$'000

2021
HK\$'000

Loss before taxation has been arrived at after charging:

Directors' emoluments	16,238	16,283
Other staff costs		
— Salaries and other benefits	97,880	120,071
— Retirement benefit scheme contributions	2,689	3,254
Total staff costs	116,807	139,608
Auditor's remuneration	1,980	2,180
Cost of inventories recognised as expenses (included in cost of sales and services)	17,638	26,069
Depreciation of property, plant and equipment	29,412	29,203
Depreciation of right-of-use assets	11,065	14,923
Commission expenses for casino management services (included in marketing, selling and distribution costs)	14,992	31,510
Impairment loss in respect of amount due from a joint venture (included in other income, gains and losses)	141	1,891
Loss on disposal/write-off of property, plant and equipment (included in other income, gains and losses)	2,756	89
Research and development expenditure (<i>note</i>) (included in operating and administrative expenses)	46,969	69,656
Loss from change in fair value of convertible loan (included in other income, gains and losses)	347	9,653
Write-down of inventories (included in cost of sales and services)	3,597	420
Unrealised exchange loss (included in other income, gains and losses)	5,889	1,644
and after crediting:		
Covid-19-related rent concessions	<u>227</u>	<u>690</u>

Note: Research and development expenditure for the year ended 31 December 2022 of HK\$46,969,000 (2021: HK\$69,656,000) includes staff costs of HK\$29,733,000 (2021: HK\$40,783,000), depreciation of property, plant and equipment of HK\$1,243,000 (2021: HK\$1,457,000) and depreciation of right-of-use assets of HK\$2,654,000 (2021: HK\$3,088,000) which are included in the respective total amounts disclosed separately above.

8. TAXATION CREDIT (CHARGE)

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Macau Complementary Tax		
— overprovision in respect of prior years	5,000	1
Lump Sum Dividend Tax	<u>(368)</u>	<u>(376)</u>
Taxation credit (charge)	<u><u>4,632</u></u>	<u><u>(375)</u></u>

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

Macau Complementary Tax (“Macau CT”) is calculated at 12% of the estimated assessable profit. No provision for Macau CT was made in the consolidated financial statements for the year ended 31 December 2022 and 2021 as the Group did not generate any assessable profit for both years.

Pursuant to the Macau CT law, the statutory right to issue Macau CT assessment on the estimated assessment profit in a year of assessment will expire in five consecutive years after that year of assessment. At the end of reporting period, the Directors reassessed the adequacy of Macau CT provision and determined to reverse part of the Group’s relevant Macau CT provision of HK\$5,000,000 during the year ended 31 December 2022.

Pursuant to the letter issued by the Financial Services Bureau of the Macau government dated 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 April 2020 to 26 June 2022, 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. The Group is in the progress of obtaining the extension of approval from Financial Service Bureau of the Macau government for the period from 27 June 2022 to 31 December 2022.

Pursuant to the letter issued by the Financial Services Bureau of the Macau government dated 28 October 2020, LT Macau is obligated to pay lump sum dividend withholding tax of 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 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 2022, provision for lump sum dividend withholding tax of HK\$368,000 (2021: HK\$376,000) has been recognised which was charged to the consolidated statement of profit or loss.

No provision for taxation for the PRC and overseas subsidiaries was made in the consolidated financial statements as the Group did not generate any assessable profit for both years.

9. DIVIDEND

No dividend was paid to the owners of the Company during the years ended 31 December 2022 and 31 December 2021. The Directors determined that no dividend will be declared, proposed or paid for both years.

10. LOSS PER SHARE

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Loss		
Loss for the year attributable to owners of the Company for the purposes of calculating basic loss per Share	<u>(154,565)</u>	<u>(86,115)</u>
	2022 '000	2021 '000
Number of Shares		
Weighted average number of Shares for the purposes of calculating basic loss per Share	<u>1,052,185</u>	<u>1,052,185</u>

For the years ended 31 December 2022 and 31 December 2021, no diluted loss per Share were presented as there were no dilutive potential ordinary shares.

11. TRADE AND OTHER RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables (<i>note i</i>)	5,069	26,518
Chips on hand (<i>note ii</i>)	—	10,612
Deposits paid	7,304	16,866
Loan receivable (<i>note iii</i>)	7,799	7,799
Other receivables (<i>note ii</i>)	11,147	5,763
Prepayments	<u>2,294</u>	<u>6,962</u>
	<u>33,613</u>	<u>74,520</u>

Notes:

- (i) As at 1 January 2021, the carrying amount of trade receivables from contracts with customers was HK\$33,943,000. As at 31 December 2022, trade receivables of HK\$5,069,000 (2021: HK\$26,518,000) comprised receivables from contracts with customers and lease receivables of HK\$4,134,000 (2021: HK\$26,479,000) and HK\$935,000 (2021: HK\$39,000), 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 limit 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\$4,398,000 (2021: HK\$24,683,000) which are not past due. The Directors considered that trade receivables are of good credit quality given the continuous subsequent settlements from the gaming operator and other customers and forward-looking information such as the economic outlook.

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

As at 31 December 2022, included in the Group's trade receivable balances are receivables with aggregate carrying amount of HK\$671,000 (2021: HK\$1,835,000) which are past due as at the reporting date. Out of the past due balances at 31 December 2022, HK\$4,000 (2021: nil) 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 2022, 86.8% (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.

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:

	2022	2021
	HK\$'000	HK\$'000
Age:		
0–30 days	4,398	24,683
31–60 days	225	5
61–90 days	421	1,830
91–180 days	25	—
	<u>5,069</u>	<u>26,518</u>

- (ii) Chips on hand represent chips issued by a gaming operator in Macau which can be exchanged into their cash amounts. On 31 December 2022, the Group transferred all its then chips on hand amounting to HK\$5,600,000 to SJM Resorts which was included in other receivables of the Group as at 31 December 2022 and was subsequently exchanged into cash to the Group.
- (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 2023 (2021: 5 October 2022). At 31 December 2022, an amount of the interest receivable of HK\$1,613,000 (2021: HK\$988,000) accrued from the loan was included in other receivables.

12. TRADE AND OTHER PAYABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade payables	17,858	4,536
Accrued staff costs	4,998	21,361
Accrued promotional expenses	11,097	14,444
Deposits received	560	680
Payable for acquisition of property, plant and equipment	4,717	5,369
Other sundry payables	9,994	9,399
Other accrued expenses	<u>2,993</u>	<u>3,636</u>
	<u><u>52,217</u></u>	<u><u>59,425</u></u>

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Age:		
0–30 days	5,540	3,113
31–60 days	2,267	97
61–90 days	2,160	49
91–365 days	7,430	325
Over 365 days	<u>461</u>	<u>952</u>
	<u><u>17,858</u></u>	<u><u>4,536</u></u>

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

13. LOANS FROM A SHAREHOLDER

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Loans from a Shareholder	<u><u>64,960</u></u>	<u><u>—</u></u>

During the year ended 31 December 2022, the Group entered into a deed of loan which was subsequently amended by a deed of amendment (the deed of loan together with its amendment(s) from time to time collectively referred to as the “Deed of Loan”) with Dr. Chun pursuant to which Dr. Chun agreed to provide a loan facility amounting to HK\$120,000,000 to the Group to strengthen the liquidity of the Group. As at 31 December 2022, the Group had drawn down on the facility in aggregate an amount of HK\$64,960,000 (31 December 2021: nil). The loans are unsecured, carry interest at 10% per annum and have a maturity date on 31 December 2023.

Subsequent to 31 December 2022, the Deed of Loan was further amended pursuant to which the maturity date of the loan facility was extended from 31 December 2023 to 31 March 2024, and any amounts repaid by the Group under the loan facility could be re-drawn or re-borrowed during the term of the Deed of Loan. Up to the date of approval of the consolidated financial statements for the year ended 31 December 2022, the total outstanding loans from a Shareholder under the Deed of Loan was HK\$34,960,000.

In addition, subsequent to 31 December 2022, the Group entered into two other deeds of loan with Dr. Chun pursuant to which Dr. Chun agreed to provide a term loan facility of HK\$70,000,000 for a 3-year period to the Group. The loans are unsecured, carry interest at 12.5% per annum and are repayable in monthly instalments. Up to the date of approval of the consolidated financial statements for the year ended 31 December 2022, the loans have been fully drawn down by the Group.

14. CAPITAL COMMITMENTS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Capital expenditure in respect of property, plant and equipment contracted for but not provided for in the consolidated financial statements	<u>6,618</u>	<u>4,796</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Financial Review

Overview of Results

Total reported revenue of the Group for the year ended 31 December 2022 was HK\$297.8 million, representing a decrease of 39.7% over that of HK\$494.1 million for the year ended 31 December 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 as a result of the tough business environment as further discussed in the sub-section headed “Impact of Covid-19 on the Group’s Business” below, 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:

	2022 <i>HK\$ million</i>	2021 <i>HK\$ million</i>
Casino under the Group’s management in Macau:		
Casino Kam Pek Paradise	<u>266.9</u>	<u>415.7</u>
Electronic gaming equipment and systems:		
Sale/leasing of electronic gaming equipment and systems in Macau*	7.4	64.7
Sale/leasing of electronic gaming equipment and systems overseas	21.3	10.9
Royalty income from IGT	<u>2.2</u>	<u>2.8</u>
	<u>30.9</u>	<u>78.4</u>
Total reported revenue	<u><u>297.8</u></u>	<u><u>494.1</u></u>

* *Leasing revenue in Macau for the years ended 31 December 2022 and 31 December 2021 did not include the intercompany revenue derived from the LMG terminals deployed at the casino under the Group’s management amounting to HK\$56.3 million (2021: HK\$86.0 million) which was included in the reported revenue of Casino Kam Pek Paradise under the Group’s management in the above table.*

Adjusted EBITDA for the year ended 31 December 2022 was a loss of HK\$109.0 million, as compared with a loss of HK\$18.4 million for the year ended 31 December 2021. The following table reconciles loss for the year to Adjusted EBITDA:

	2022 <i>HK\$ million</i>	2021 <i>HK\$ million</i>
Loss for the year	(166.3)	(88.4)
Adjustments for:		
Interest income	(1.5)	(2.1)
Finance costs	7.5	4.0
Taxation (credit) charge	(4.6)	0.4
Depreciation of property, plant and equipment	29.4	29.2
Loss on disposal/write-off of property, plant and equipment	2.8	0.1
Depreciation of right-of-use assets	11.1	14.9
Loss from change in fair value of convertible loan	0.3	9.7
Amortisation of intangible assets	12.1	12.1
Impairment loss in respect of amount due from a joint venture	0.1	1.9
Net loss on disposal of subsidiaries	0.1	—
Others	—	(0.2)
Adjusted EBITDA	<u>(109.0)</u>	<u>(18.4)</u>

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

	2022 <i>HK\$ million</i>	2021 <i>HK\$ million</i>
Casino under the Group's management:		
Casino Kam Pek Paradise	<u>(38.0)</u>	<u>42.3</u>
Electronic gaming equipment and systems:		
Sale/leasing of electronic gaming equipment and systems	(18.4)	28.6
Research and development and other costs	(37.4)	(52.6)
ETG distribution from IGT	<u>2.2</u>	<u>2.8</u>
	<u>(53.6)</u>	<u>(21.2)</u>
Other businesses	(3.7)	(22.8)
Corporate and other expenses	<u>(13.7)</u>	<u>(16.7)</u>
Adjusted EBITDA	<u>(109.0)</u>	<u>(18.4)</u>

Adjusted EBITDA from the casino under the Group's management segment for the year ended 31 December 2022 was a loss of HK\$38.0 million, as compared with a profit of HK\$42.3 million for the year ended 31 December 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 year ended 31 December 2021.

Adjusted EBITDA from the electronic gaming equipment and systems segment for the year ended 31 December 2022 was a loss of HK\$53.6 million, as compared with a loss of HK\$21.2 million for the year ended 31 December 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\$28.6 million for the year ended 31 December 2021 to a loss of HK\$18.4 million for the year ended 31 December 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 year ended 31 December 2022 (when compared with that for the year ended 31 December 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 "Impact of Covid-19 on the Group's Business" below, the Group continued to invest a total of HK\$37.4 million (year ended 31 December 2021: HK\$52.6 million) in research and development and other costs on electronic gaming equipment and systems for the year ended 31 December 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 year ended 31 December 2022 was a loss of HK\$3.7 million, as compared with a loss of HK\$22.8 million for the year ended 31 December 2021. The reduction in loss was mainly attributable to the Group's successful launches of streamlining the high-tech health innovative business during the year ended 31 December 2022 and the absence of sharing of loss of the joint venture of the Group by the Group for the year ended 31 December 2022 as the principal business of the joint venture was suspended during the year ended 31 December 2022 in response to the unprecedented impact of the Covid-19 pandemic, as compared with the Group's share of loss of the joint venture of HK\$8.6 million for the year ended 31 December 2021.

The Group recorded a loss of HK\$166.3 million for the year ended 31 December 2022, as compared with a loss of HK\$88.4 million for the year ended 31 December 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 years ended 31 December 2022 and 31 December 2021:

	2022	2021
Traditional gaming tables	31	39
LMG gaming tables	8	10
LMG terminals	493	486
Slot machines	<u>98</u>	<u>89</u>

As at 31 December 2022, the Group managed a total of 47 (31 December 2021: 49) gaming tables in Casino Kam Pek Paradise under the Group's management, 33 (31 December 2021: 49) of which were in operation as at that date.

Pursuant to a new service contract entered into between SJM Resorts and the Group on 30 December 2022 for the Group's provision of casino management services in Casino Kam Pek Paradise for the period from 1 January 2023 to 31 December 2025, the Group has been allocated quotas for managing 30 gaming tables and 100 slot machines in Casino Kam Pek Paradise during the period from 1 January 2023 to 31 December 2025.

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 years ended 31 December 2022 and 31 December 2021:

		2022	2021
Traditional gaming tables			
GGR	<i>(HK\$ million)</i>	207.5	341.4
Gaming tables	<i>(Average no. of tables)</i>	31	39
Net win/table/day	<i>(HK\$ thousand)</i>	18.3	24.0
LMG gaming tables			
GGR	<i>(HK\$ million)</i>	255.9	390.7
Terminals/gaming tables	<i>(Average no. of terminals/tables)</i>	493/8	486/10
Net win/terminal/day	<i>(HK\$)</i>	1,422	2,202
Net win/table/day	<i>(HK\$ thousand)</i>	87.6	107.0
Total gaming tables			
GGR	<i>(HK\$ million)</i>	463.4	732.1
Gaming tables	<i>(Average no. of tables)</i>	39	49
Net win/table/day	<i>(HK\$ thousand)</i>	32.6	40.9
Slot machines			
GGR	<i>(HK\$ million)</i>	27.5	29.6
Slot machines	<i>(Average no. of units)</i>	98	89
Net win/unit/day	<i>(HK\$)</i>	769	911
Total GGR	<i>(HK\$ million)</i>	<u>490.9</u>	<u>761.7</u>

For the year ended 31 December 2022, total GGR generated by Casino Kam Pek Paradise amounted to HK\$490.9 million, representing a decrease of 35.6% over that of HK\$761.7 million for the year ended 31 December 2021. The decrease in GGR was mainly due to the tough business environment as further discussed in the sub-section headed "Impact of Covid-19 on the Group's Business" below.

Breakdown of revenue attributable to the Group for the casino under the Group's management for the years ended 31 December 2022 and 31 December 2021 is as follows:

	2022	2021
	<i>HK\$ million</i>	<i>HK\$ million</i>
Casino Kam Pek Paradise:		
Traditional gaming tables	114.1	187.8
LMG gaming tables	140.8	214.9
Slot machines	12.0	13.0
	<u>266.9</u>	<u>415.7</u>

Total revenue attributable to the Group generated by Casino Kam Pek Paradise for the year ended 31 December 2022 was HK\$266.9 million, representing a decrease of 35.8% over that of HK\$415.7 million for the year ended 31 December 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 year ended 31 December 2022, revenue from sale/leasing of electronic gaming equipment and systems in Macau amounted to HK\$7.4 million, representing a decrease of 88.6% over that of HK\$64.7 million for the year ended 31 December 2021. Revenue for the year ended 31 December 2022 in Macau comprised revenue of (i) HK\$3.5 million (2021: HK\$31.2 million) derived mainly from the provision of upgrading services to 149 (2021: 1,449) LMG terminals in Macau; and (ii) HK\$3.9 million (2021: HK\$3.0 million) derived from leasing of electronic gaming equipment and systems. The Group did not generate any revenue from the sale of LMG terminals for the year ended 31 December 2022 (2021: revenue of HK\$30.5 million was generated by the Group mainly from the sale of 116 LMG terminals).

Sale/Leasing of Electronic Gaming Equipment and Systems Overseas

For the year ended 31 December 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 95.4% over that of HK\$10.9 million for the year ended 31 December 2021. Revenue for the year ended 31 December 2022 in overseas markets comprised revenue of (i) HK\$20.3 million (2021: HK\$6.5 million) derived mainly from the sale of 498 units (2021: 99 units) of slot machine; and (ii) HK\$1.0 million (2021: HK\$4.4 million) derived from leasing of slot machines and other electronic gaming equipment and systems. Up to 31 December 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\$2.2 million for the year ended 31 December 2022 (2021: HK\$2.8 million). Up to 31 December 2022, the Group has accumulatively recognised a total royalty income of HK\$14.4 million from IGT.

Impact of Covid-19 on the Group's Business

The Covid-19 pandemic continued to have a materially adverse effect on the Group's business and financial performance for the year ended 31 December 2022. Although the pandemic was largely under control during the first few months of 2022 in Macau, the economy was heavily battered by the new highly contagious Omicron sub-variants which spread rapidly and caused a severe outbreak of Omicron sub-variants reported cases in Macau in late June 2022. To contain the spread of the virus, the Macau government issued two executive orders in July 2022 to suspend the operations of all non-essential industrial and commercial companies (including all casinos) for certain periods of the month, which led to the tightening of various quarantine and social distancing measures. As a result, tourism, hospitality and gaming industries continued to struggle and were under tremendous financial pressure during the year under review. All these reintroductions of quarantine and social distancing measures have brought business recovery to a halt and highlighted the unpredictable and fluid nature of the pandemic situation in Macau.

On the brighter side heading to 2023, following the launch of vaccination campaigns by many governments to fight against Covid-19 on a global basis, we began to see encouraging signs in particular a sharp rebound in tourist arrivals and an increase in economic activities in Macau after the travel restrictions related to the Covid-19 pandemic were lifted and the resumption of ferry services in early January 2023. In this regard, it is generally expected that the gaming business in Macau will be returning to the pre-pandemic level soon. That said, it is not possible to rule out the possibility that new variants of Covid-19 may emerge to bring lingering economic effects and health concerns to the world for a longer period in the future.

PROSPECTS

The negative impact of the outbreak of the Covid-19 pandemic is expected to subside in the near future. Entering 2023, we see some green shoots of recovery and the Macau government has started to ease travel restrictions and lifted its quarantine requirements for inbound business and tourist travellers since early 2023. We believe this will help attract foreign investors and tourism to Macau after the reopening of the borders between Mainland China, Hong Kong and Macau. As far as the gaming market in Macau is concerned, the positive impact of arrivals remains in sight to give a tally of patrons

to casinos focusing on mass markets in particular, and the local economy continues its recovery amid the easing of Covid-19 related restrictions. In addition, the enactment of the new gaming law and the signing of the new contracts in respect of the 10-year gaming concession served to clear the uncertainties regarding the prospects of the gaming industry in Macau and provide new regulations and guidelines for the healthy and orderly development of the Macau gaming industry including satellite casinos. As recovery momentum continues to build across Macau with the new legislative framework serving as a strong shield for growth and development, we remain confident in the future of the gaming business in Macau which will become the most successful casino gaming destination in the world, and we are cautiously optimistic about the performance of the Group in coming years.

To this end, we are particularly delighted to enter into a new service agreement with SJM Resorts on 30 December 2022 for our provision of casino management services in Casino Kam Pek Paradise (which operates under SJM Resorts' gaming concession) for the period from 1 January 2023 to 31 December 2025. Looking forward to the coming years, we will continue to apply the success of our casino management strategy in Casino Kam Pek Paradise embracing the distinctive synergies of our two principal business segments, namely, the provision of casino management services and the development, sale and leasing of electronic gaming equipment and systems to increase both the operational efficiency as well as patrons' gaming experiences. The Group has a good reputation as a casino management services provider focusing on mass market patrons for satellite casinos in Macau and has a strong foothold in this aspect of the gaming industry, which has been demonstrated by the outperformance of Casino Kam Pek Paradise as compared with many other satellite casinos in Macau. Furthermore, the Macau's new gaming law has accelerated the demise of the VIP gaming segment, and we expect that the demand for electronic gaming machines should continue to grow. The Group remains confident that our LMG machines and other ETG machines will have ample room for development in the future, both in Macau and in overseas gaming markets.

While we remain cautiously optimistic in the Macau gaming industry, the Group expects to continue facing unsteady headwinds while the world still faces austere economic and political uncertainties. The global geographical tensions are expected to impose great stress on the global economy, financial system and logistics supply, amid the rise in global inflation and interest rate hikes in many countries. These uncertainties and tensions will continue to make precise prediction of the global economic growth difficult. In facing unpredictable market changes, the Group will maintain a prudent and conscientious attitude, focus on developing its core business, continue to improve internal operation efficiency and management and capture other good business opportunities so as to achieve steady growth and healthy returns for the Group. In this regard, on 22 December 2022, the Group appointed Mr. Zhang Jianjun as an executive Director and Co-chairman of the Board, who has profound work experience in industries providing innovative new or renewable energy solutions, big data for health and consumption, and digital financial technology, which is in alignment with the Group's strategic initiatives to develop a diversified business portfolio. Under the leadership of the Board with enhanced expertise, we have confidence that the Group will be able to identify and explore new business opportunities to achieve new breakthroughs for the Group.

DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2022 (2021: nil).

BOOK CLOSURE FOR 2023 AGM

To ascertain Shareholders' eligibility to attend and vote at the 2023 AGM to be held on 24 May 2023, the register of members of the Company will be closed from 18 May 2023 to 24 May 2023, both days inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the 2023 AGM, all transfers of Shares accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong Branch Share Registrar, Tricor Secretaries Limited, of 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, no later than 4:30 p.m. on 17 May 2023.

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 loans from a Shareholder. The Group has generally funded its operations from internal resources, bank borrowings, other borrowing, loans from a Shareholder, 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 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 31 December 2022, the consolidated net assets of the Group amounted to HK\$157.7 million, representing a decrease of HK\$161.3 million or 50.6% 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\$166.3 million for the year ended 31 December 2022.

Pledged Bank Deposits, and Bank Balances and Cash

As at 31 December 2022, the Group held pledged bank deposits of HK\$31.2 million, and bank balances and cash of HK\$20.2 million.

The Group's pledged bank deposits of HK\$31.2 million as at 31 December 2022 comprise 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\$20.2 million as at 31 December 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 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 2022. For accounting purposes, the Group's bank deposits denominated in RMB were re-translated to HK\$ at the exchange rate as at 31 December 2022 which resulted in a net unrealised exchange loss of HK\$0.5 million (2021: a net unrealised exchange gain of HK\$0.3 million) being recognised in the Group's results for the year ended 31 December 2022.

Loans from a Shareholder

During the year ended 31 December 2022, the Group entered into a deed of loan which was subsequently amended by a deed of amendment (the deed of loan together with its amendment(s) from time to time collectively referred to as the "Deed of Loan") with Dr. Chun pursuant to which Dr. Chun agreed to provide a loan facility amounting to HK\$120.0 million to the Group to strengthen the liquidity of the Group. As at 31 December 2022, the Group had drawn down on the facility in aggregate an amount of HK\$65.0 million (31 December 2021: nil). The loans are conducted on normal commercial terms and are unsecured, carry interest at 10% per annum and have a maturity date on 31 December 2023.

Subsequent to 31 December 2022, the Deed of Loan was further amended pursuant to which the maturity date of the loan facility was extended from 31 December 2023 to 31 March 2024, and any amounts repaid by the Group under the loan facility could be re-drawn or re-borrowed during the term of the Deed of Loan. Subsequent to 31 December 2022, an aggregate amount of HK\$30.0 million under the loan facility has been settled by the Group. As at the date of this announcement, the total outstanding loans from a Shareholder under the Deed of Loan was HK\$35.0 million.

In addition, subsequent to 31 December 2022, the Group entered into two other deeds of loan with Dr. Chun pursuant to which Dr. Chun agreed to provide a term loan facility of HK\$70.0 million for a 3-year period to the Group. The loans are conducted on normal commercial terms and are unsecured, carry interest at 12.5% per annum and are repayable in monthly instalments. As at the date of this announcement, the loans have been fully drawn down by the Group.

Borrowing and Gearing Ratio

As at 31 December 2022, the Group had total outstanding indebtedness of HK\$188.3 million (2021: HK\$131.4 million) comprising:

- (1) secured and unguaranteed bank borrowings of HK\$120.6 million (2021: HK\$128.0 million) (*note i*);
- (2) unsecured and unguaranteed bank borrowing of HK\$0.5 million (2021: HK\$1.2 million) (*note ii*);
- (3) unsecured and unguaranteed loans from a Shareholder of HK\$65.0 million (2021: nil) (*note iii*);
- (4) unsecured and unguaranteed other borrowing of HK\$0.4 million (2021: HK\$0.5 million) (*note iv*);
and

- (5) unsecured and unguaranteed amounts due to Directors of HK\$1.8 million (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 loans from a Shareholder as at 31 December 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 loans from a Shareholder totalling HK\$186.5 million as at 31 December 2022 spread over a period of more than five years, with HK\$71.2 million repayable within one year, HK\$9.8 million in the second year, HK\$31.3 million in the third to fifth years, and HK\$74.2 million over five years. The amounts due to Directors of HK\$1.8 million as at 31 December 2022 were repayable on demand. The Group's bank borrowings, other borrowing, loans from a Shareholder and amounts due to Directors were mainly denominated in MOP, HK\$ and RMB. Given MOP is pegged to HK\$, the Group considers that the exposure to exchange rate risk is normal for its indebtedness denominated in MOP. Exchange rate of RMB against HK\$ fluctuated during the year ended 31 December 2022. For accounting purposes, the Group's loans from a Shareholder denominated in RMB were re-translated into HK\$ at the exchange rate as at 31 December 2022 without significant unrealised exchange difference being recognised in the Group's results for the year ended 31 December 2022 (2021: nil).

The Group's gearing ratio (expressed as a percentage of consolidated total borrowings over consolidated net assets of the Group) as at 31 December 2022 was 119.4% (2021: 41.2%). The increase in the Group's gearing ratio was mainly due to the inception of loans from a Shareholder and the decrease in consolidated net assets of the Group during the year ended 31 December 2022.

During the year ended 31 December 2022, the Group did not employ any financial instruments for hedging purposes.

CAPITAL COMMITMENTS

As at 31 December 2022, the Group had capital commitments in respect of acquisition of property, plant and equipment which is contracted for but not provided for in the consolidated financial statements of HK\$6.6 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 and loans from a Shareholder denominated in RMB during the year ended 31 December 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 ASSETS

As at 31 December 2022, the Group had charges on its leasehold land and buildings with total carrying amount of HK\$199.9 million and bank fixed deposits of HK\$31.2 million, details as follows:

- (1) leasehold land and buildings with carrying amount of HK\$115.8 million to secure a bank borrowing offered by a bank to the Group;
- (2) leasehold land and buildings with carrying amount of HK\$84.1 million to secure a bank borrowing and other facility (a bank guarantee as mentioned in (3) below) offered by a bank to the Group;
- (3) bank fixed deposit of HK\$30.9 million to secure for a guarantee issued by a bank in favour of SJM Resorts in the amount of HK\$45.7 million for the period from 15 May 2020 to 31 December 2023 for the Group's fulfilment of all its obligations, including the reimbursement by the Group to SJM Resorts of the employees' compensation and benefits for those gaming operation employees employed by SJM Resorts who work for the casino under the Group's management, as stipulated under the service agreements (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; and
- (4) bank fixed deposit of HK\$0.3 million to secure for a guarantee issued by a bank in favour of a landlord for fulfilment of all obligations of a Group company as tenant. Subsequent to 31 December 2022, the guarantee was released upon expiry of the related lease contract without any outstanding obligations from the Group company to the landlord.

CONTINGENT LIABILITIES

As at 31 December 2022, the Group did not have any significant contingent liabilities.

MATERIAL ACQUISITIONS AND DISPOSALS, AND SIGNIFICANT INVESTMENTS

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 year ended 31 December 2022.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at 31 December 2022 and the date of this announcement, save as disclosed under the sub-section headed “Capital Commitments” above, the Group had no other plans for material investments or capital assets.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2022, the Group had approximately 660 employees, including approximately 360 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 2022 amounted to HK\$219.6 million (2021: HK\$255.2 million), including HK\$102.8 million (2021: HK\$115.6 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.

EVENTS AFTER THE REPORTING PERIOD

On 18 January 2023, the Group entered into a deed of amendment with Dr. Chun to further amend the deed of loan dated 14 March 2022 (as amended from time to time) such that maturity date of the loan facility was extended from 31 December 2023 to 31 March 2024 and any amounts repaid by the Group under the loan facility could be re-drawn or re-borrowed during the term of the loan facility. Subsequent to 31 December 2022, an aggregate amount of HK\$30.0 million under the loan facility has been settled by the Group. As at the date of this announcement, the total outstanding loans from a Shareholder under the loan facility was HK\$35.0 million.

In addition, on 18 January 2023, the Group entered into two other deeds of loan with Dr. Chun pursuant to which Dr. Chun agreed to provide a term loan facility of HK\$70.0 million for a 3-year period to the Group. The loans are conducted on normal commercial terms and are unsecured, carry interest at 12.5% per annum and are repayable in monthly instalments. As at the date of this announcement, the loans have been fully drawn down by the Group.

Save as disclosed, there is no important event after 31 December 2022 which is required to be disclosed.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

In the opinion of the Board, the Company has complied with the code provisions of the CG Code set out in Appendix 14 to the Listing Rules throughout the year ended 31 December 2022 except for the following deviation.

Code Provision C.2.1

Code provision C.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

On or before 21 December 2022, Dr. Chun was the Chairman of the Board and the Managing Director of the Company. With effect from 22 December 2022, Dr. Chun has been re-designated from the Chairman of the Board to a Co-chairman of the Board and continues to serve as the Managing Director of the Company, and Mr. Zhang Jianjun has been appointed as a Co-chairman of the Board.

During the year ended 31 December 2022, Dr. Chun and Mr. Zhang Jianjun (since his appointment on 22 December 2022) are Co-chairmen of the Board and responsible for the management of the Board and ensuring that all major and appropriate issues are discussed by the Board in a timely and constructive manner.

Dr. Chun takes care of the day-to-day management of the Group's business and implements the Group's policies, strategic plans and business goals formulated by the Board. In the opinion of the Board, the roles of the Managing Director and the chief executive officer are the same. Although Dr. Chun is both a Co-chairman of the Board and the chief executive officer of the Company, the powers have been shared between the two Co-chairmen and Mr. Zhang Jianjun would also exercise his power and authorities as a Co-chairman in managing the affairs of the Board and the Company. The Board believes that the present structure provides the Group with strong and consistent leadership and allows for efficient and effective business planning and execution, while the balance of power and authority for the present arrangement has been and is adequately ensured to protect the interests of the Company and the Shareholders by the current Board which also comprises a Co-chairman with professional background and experienced and high calibre individuals, with sufficient number of independent non-executive Directors that can scrutinise important decisions with their independent judgment and monitor the power exercised by the Co-Chairmen and the Managing Director of the Company. Hence, the Board

believes that it is in the best interest of the Shareholders that Dr. Chun will continue to assume the roles of a Co-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 year ended 31 December 2022.

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 2022.

UPDATE ON DIRECTORS' INFORMATION

On 22 December 2022, Dr. Chun has been re-designated from the Chairman of the Board to a Co-chairman of the Board and Mr. Zhang Jianjun has been appointed as an executive Director and a Co-chairman of the Board. Further details of the re-designation and the appointment of Directors are set out in the Company's announcement dated 22 December 2022.

On 28 March 2023, Mr. Kai-Shing Tao tendered resignation as an independent non-executive Director and Dr. Liu Ka Ying Rebecca was appointed as an independent non-executive Director. Further details of the resignation and the appointment of Directors are set out in the Company's announcement dated 28 March 2023.

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

INDEPENDENT AUDITOR

The consolidated financial statements of the Company for the year ended 31 December 2022 were audited by the Company's independent auditor, Deloitte Touche Tohmatsu. A resolution will be proposed at the 2023 AGM to re-appoint Deloitte Touche Tohmatsu as the independent auditor of the Company.

REVIEW OF AUDITED CONSOLIDATED FINANCIAL STATEMENTS BY THE AUDIT COMMITTEE

The Audit Committee has reviewed with the management and the independent auditor of the Company the audited consolidated financial statements of the Group for the year ended 31 December 2022 and the related accounting principles and practices adopted by the Group.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2022 as set out in this preliminary announcement have been agreed by the Group’s independent auditor, Messrs. Deloitte Touche Tohmatsu (the “Auditor”), to the amounts set out in the audited consolidated financial statements of the Group for the year approved by the Board on 28 March 2023. The work performed by the Auditor in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by the Auditor on the preliminary announcement.

DEFINITIONS

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

“2023 AGM”	the forthcoming annual general meeting of the Company to be held on 24 May 2023
“Adjusted EBITDA”	the Group’s profit or loss for the year 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 disposal of subsidiaries, loss from change in fair value of convertible loan, impairment loss in respect of amount due from a joint venture and costs incurred or associated with corporate exercises or potential projects, where applicable
“Audit Committee”	the audit committee of the Board
“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
“Director(s)”	the director(s) of the Company
“Dr. Chun”	Dr. Jay Chun, the controlling Shareholder, a Co-chairman of the Board, an executive Director and Managing Director 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
“HKAS”	Hong Kong Accounting Standard
“HKFRS(s)”	Hong Kong Financial Reporting Standard(s)
“HKICPA”	the Hong Kong Institute of Certified Public Accountants
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IGT”	a Nevada corporation and a subsidiary of International Game Technology PLC, which is listed on the New York Stock Exchange under the trading symbol “IGT”
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“LMG”	live multi game
“Macau”	the Macao Special Administrative Region of the PRC
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
“MOP”	Macau Pataca, the lawful currency of Macau
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of HK\$0.001 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“SJM Resorts”	SJM Resorts, Limited, one of the concessionaires for operation of casinos in Macau
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“U.S.”	the United States of America

“US\$” the United States dollars, the lawful currency of the U.S.

“%” per cent

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

Hong Kong, 28 March 2023

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