



PARADISE ENTERTAINMENT LIMITED

滙彩控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code : 1180)

INTERIM REPORT 2020

** For identification purposes only*

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CORPORATE INFORMATION

Place of Incorporation

Bermuda

Board of Directors

Executive Directors

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

Mr. SHAN Shiyong, alias, SIN Sai Yung

Mr. HU Liming

Independent Non-Executive Directors

Mr. LI John Zongyang

Mr. Kai-Shing TAO

Ms. TANG Kiu Sam Alice

Audit Committee

Mr. LI John Zongyang (*Chairman*)

Mr. Kai-Shing TAO

Ms. TANG Kiu Sam Alice

Remuneration Committee

Mr. LI John Zongyang (*Chairman*)

Mr. Jay CHUN

Ms. TANG Kiu Sam Alice

Nomination Committee

Mr. Jay CHUN (*Chairman*)

Mr. LI John Zongyang

Ms. TANG Kiu Sam Alice

Authorised Representatives

Mr. Jay CHUN

Mr. CHAN Kin Man

Company Secretary

Mr. CHAN Kin Man

Registered Office

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Head Office and Principal Place of Business

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

Bermuda Principal Share Registrar

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

Hong Kong Branch Share Registrar

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

Hong Kong Legal Advisors

H. M. Chan & Co in association with Taylor Wessing

Independent Auditor

Deloitte Touche Tohmatsu
Certified Public Accountants

Principal Bankers

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

Listing Information

Place of Listing

Main Board of the Stock Exchange

Stock Code

1180

Board Lot Size

4,000 Shares

Investor Relations

Tel: (852) 2620 5303

Fax: (852) 2620 6000

Email: paradise.ir@hk1180.com

Website

www.hk1180.com

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 Overview

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

As part of the measures to contain the spread of the coronavirus disease in Macau, the Macau government announced the suspension of operations of all casinos in Macau for at least 15 days from 5 February 2020. Operations in Casino Kam Pek Paradise were suspended on 5 February 2020 and resumed on 20 February 2020 while operations in Casino Waldo were suspended on 5 February 2020 and resumed on 24 February 2020. Moreover, the Macau government has adopted a series of restriction and quarantine requirement policies to prohibit or reduce significantly non-local citizens from entering into Macau. According to the statistical information published by DICJ, Macau's total GGR in the first 6 months of 2020 reduced sharply by 77.4% compared to that of corresponding period last year. It is reasonable to expect that the social and economic activities would not be able to resume to normal within a short period of time, and the requisite time for the full economic recovery of Macau and the world would remain to be seen.

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

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

Financial Review

Overview of Results

Total reported revenue of the Group for the six months ended 30 June 2020 was HK\$177.3 million, representing a decrease of 70.1% over that of HK\$592.0 million for the six months ended 30 June 2019. The decrease was mainly attributable to decrease in revenue from provision of casino management services as a result of the outbreak of coronavirus disease since early 2020 and the cessation of our provision of casino management services in Casino Waldo since 1 March 2020, and from sale of electronic gaming equipment and systems.

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

	Six months ended 30 June	
	2020	2019
	HK\$ million	HK\$ million
Casinos under the Group's management:		
Casino Kam Pek Paradise	142.6	347.0
Casino Waldo	23.3	152.2
	165.9	499.2
Electronic gaming equipment and systems:		
Sale of electronic gaming equipment and systems	9.6	89.3
Leasing of electronic gaming equipment and systems*	1.4	2.4
Royalty income from IGT	0.4	1.1
	11.4	92.8
Total reported revenue	177.3	592.0

* Leasing revenue for the six months ended 30 June 2020 did not include the intercompany revenue derived from the LMG terminals deployed at the casinos under the Group's management amounting to HK\$35.2 million (six months ended 30 June 2019: HK\$68.2 million) which was included in the reported revenue of respective casinos under the Group's management in the above table.

Adjusted EBITDA for the six months ended 30 June 2020 was a loss of HK\$53.5 million, as compared to Adjusted EBITDA of HK\$63.3 million for the six months ended 30 June 2019. The following table reconciles (loss) profit for the period to Adjusted EBITDA:

	Six months ended 30 June	
	2020	2019
	HK\$ million	HK\$ million
(Loss) profit for the period	(111.3)	23.8
Adjustments for:		
Interest income	(1.2)	(3.0)
Finance costs	2.0	1.4
Taxation	2.3	0.2
Depreciation of property, plant and equipment	27.6	29.9
Impairment loss in respect of property, plant and equipment	5.0	—
Loss on disposal/write-off of property, plant and equipment	9.7	—
Depreciation of right-of-use assets	6.3	4.9
Amortisation of intangible assets	6.1	6.1
Adjusted EBITDA	(53.5)	63.3

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

	Six months ended 30 June	
	2020	2019
	HK\$ million	HK\$ million
Casinos under the Group's management:		
Casino Kam Pek Paradise	(14.1)	66.0
Casino Waldo	(21.8)	0.3
	(35.9)	66.3
Electronic gaming equipment and systems:		
Sale of electronic gaming equipment and systems	(7.6)	51.8
Leasing of electronic gaming equipment and systems	0.9	1.8
Research and development and other costs	(37.9)	(42.6)
ETG distribution from IGT	0.4	1.1
	(44.2)	12.1
Others	26.6	(15.1)
Adjusted EBITDA	(53.5)	63.3

Adjusted EBITDA from the casinos under the Group's management segment for the six months ended 30 June 2020 was a loss of HK\$35.9 million, as compared to Adjusted EBITDA of HK\$66.3 million for the six months ended 30 June 2019. The change was mainly due to the decrease in GGR generated by Casino Kam Pek Paradise (for the period from 1 January 2020 to 30 June 2020) and Casino Waldo (for the period from 1 January 2020 to 29 February 2020) when compared to those generated for the six months ended 30 June 2019. Operations at Casino Kam Pek Paradise and Casino Waldo were suspended from 5 February 2020 to 19 February 2020 and from 5 February 2020 to 23 February 2020, respectively. Moreover, during the period under review, the Macau government has also adopted certain policies to contain the spread of the coronavirus disease in Macau including limiting the numbers of gaming tables, ETG machines and slot machines in casinos, 14-day quarantine requirement or proof of negative test result for Covid-19 for all travellers entering into Macau, etc. In addition, the Group ceased to provide casino management services in Casino Waldo since 1 March 2020. All these have caused decrease in GGR generated by the casinos under the Group's management and hence adversely affected the Group's business of provision of casino management services for the period under review.

Adjusted EBITDA from the electronic gaming equipment and systems segment for the six months ended 30 June 2020 was a loss of HK\$44.2 million, as compared to Adjusted EBITDA of HK\$12.1 million for the six months ended 30 June 2019. The change was mainly caused by the decrease in sale of electronic gaming equipment and systems for the six months ended 30 June 2020 when compared to the corresponding period of last year. Albeit the tough business environment, the Group continued to invest in research and development and other costs on electronic gaming equipment and systems of HK\$37.9 million for the six months ended 30 June 2020 in order to prepare for increasing our competitive advantages and getting more market shares in the long run.

Adjusted EBITDA of other businesses in the above table comprised positive contribution of HK\$43.4 million (six months ended 30 June 2019: nil) from the Group's provision of procurement services during the six months ended 30 June 2020 which was offset by corporate and other expenses of the Group of HK\$16.8 million (six months ended 30 June 2019: HK\$15.1 million).

The Group recorded a loss of HK\$111.3 million for the six months ended 30 June 2020, as compared to a profit of HK\$23.8 million for the six months ended 30 June 2019.

Provision of Casino Management Services

The following table sets out average numbers of gaming tables, LMG terminals and slot machines in operation for the provision of casino management services by the Group for the six months ended 30 June 2020 and 30 June 2019:

<i>(Average no. of units)</i>	Six months ended 30 June					
	2020			2019		
	Casino Kam Pek Paradise	Casino Waldo*	Total	Casino Kam Pek Paradise	Casino Waldo	Total
Traditional gaming tables	25	17	42	39	25	64
LMG gaming tables	10	5	15	10	5	15
LMG terminals	604	320	924	1,000	432	1,432
Slot machines	87	101	188	194	176	370

* The numbers shown in the above table for Casino Waldo for the six months ended 30 June 2020 were for the period from 1 January 2020 to 29 February 2020

As at 30 June 2020, the Group had a total of 49 gaming tables in Casino Kam Pek Paradise under the Group's management, 32 of which were in operation. As at 31 December 2019, the Group had a total of 49 and 30 gaming tables in Casino Kam Pek Paradise and Casino Waldo, respectively, which were all in operation. The decrease in number of gaming tables in operation under the Group's management was caused by the Macau government's policy on limiting the number of gaming tables in casinos to contain the spread of the coronavirus disease in Macau during the current period and the cessation of provision of casino management services in Casino Waldo by the Group since 1 March 2020.

The following table sets out certain key operational data of gaming tables, LMG terminals and slot machines deployed at the two casinos under the Group's management for the six months ended 30 June 2020 and 30 June 2019:

		Casino Kam Pek Paradise		Casino Waldo*	
		Six months ended 30 June			
		2020	2019	2020	2019
Traditional gaming tables					
GGR	<i>(HK\$ million)</i>	103.3	362.6	28.7	200.7
Gaming tables	<i>(Average no. of tables)</i>	25	39	17	25
Net win/table/day	<i>(HK\$ thousand)</i>	22.7	51.4	28.1	44.4
LMG gaming tables					
GGR	<i>(HK\$ million)</i>	145.5	247.1	14.3	62.9
Terminals/gaming tables	<i>(Average no. of terminals/tables)</i>	604/10	1,000/10	320/5	432/5
Net win/terminal/day	<i>(HK\$)</i>	1,324	1,365	745	804
Net win/table/day	<i>(HK\$ thousand)</i>	79.9	136.5	47.7	69.5
Total gaming tables					
GGR	<i>(HK\$ million)</i>	248.8	609.7	43.0	263.6
Gaming tables	<i>(Average no. of tables)</i>	35	49	22	30
Net win/table/day	<i>(HK\$ thousand)</i>	39.1	68.7	32.6	48.5
Slot machines					
GGR	<i>(HK\$ million)</i>	13.6	26.8	0.4	3.8
Slot machines	<i>(Average no. of units)</i>	87	194	101	176
Net win/unit/day	<i>(HK\$)</i>	859	763	66	119
Total GGR	<i>(HK\$ million)</i>	262.4	636.5	43.4	267.4

* The numbers shown in the above table for Casino Waldo for the six months ended 30 June 2020 were for the period from 1 January 2020 to 29 February 2020

For the six months ended 30 June 2020, total GGR generated by Casino Kam Pek Paradise amounted to HK\$262.4 million, representing a decrease of 58.8% over that of the last corresponding period of HK\$636.5 million. Total GGR generated by Casino Waldo for the period from 1 January 2020 to 29 February 2020 amounted to HK\$43.4 million, as compared to the amount of HK\$267.4 million for the six months ended 30 June 2019.

Breakdown of revenue attributable to the Group for the two casinos under the Group's management for the six months ended 30 June 2020 and 30 June 2019 is as follows:

	Six months ended 30 June	
	2020	2019
	HK\$ million	HK\$ million
Casino Kam Pek Paradise:		
Traditional gaming tables	56.8	199.4
LMG gaming tables	80.0	135.9
Slot machines	5.8	11.7
	142.6	347.0
Casino Waldo*:		
Traditional gaming tables	15.3	114.2
LMG gaming tables	7.8	35.8
Slot machines	0.2	2.2
	23.3	152.2
	165.9	499.2

* The numbers shown in the above table for Casino Waldo for the six months ended 30 June 2020 were for the period from 1 January 2020 to 29 February 2020

Total revenue attributable to the Group generated by the casinos under the Group's management for the six months ended 30 June 2020 was HK\$165.9 million, representing a decrease of 66.8% over that of HK\$499.2 million for the six months ended 30 June 2019. The decrease in total revenue was mainly due to the decrease in revenue from Casino Kam Pek Paradise for the six months ended 30 June 2020 when compared to those for the six months ended 30 June 2019 and the Group's cessation of provision of casino management services in Casino Waldo since 1 March 2020.

Development, Sale and Leasing of Electronic Gaming Equipment and Systems

Sale of Electronic Gaming Equipment and Systems

For the six months ended 30 June 2020, revenue from sale of electronic gaming equipment and systems amounted to HK\$9.6 million, representing a decrease of 89.2% over that of HK\$89.3 million for the six months ended 30 June 2019. The sale for the six months ended 30 June 2020 derived mainly from the provision of upgrading services to 136 LMG terminals at various casinos in Macau (for the six months ended 30 June 2019: sale of and provision of upgrading services to 461 and 605 LMG terminals, respectively).

Leasing of Electronic Gaming Equipment and Systems

For the six months ended 30 June 2020, revenue from leasing of electronic gaming equipment and systems amounted to HK\$1.4 million, representing a decrease of 41.7% over that of HK\$2.4 million for the six months ended 30 June 2019.

ETG Distribution 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\$0.4 million for the six months ended 30 June 2020 (for the six months ended 30 June 2019: HK\$1.1 million). Up to 30 June 2020, the Group has accumulatively recognised a total revenue of HK\$8.5 million from ETG distribution from IGT.

Prospects

The outbreak of Covid-19 since early this year has adversely affected the Macau as well as the global economies. According to DICJ's released figures, Macau's total GGR for the six months ended 30 June 2020 declined by 77.4% (including 95.6% decline in the second quarter this year) when compared to the same period last year. Arrivals in Macau tumbled 83.7% from about 20.3 million for the six months ended 30 June 2019 to 3.3 million for the six months ended 30 June 2020, leaving casinos in Macau devoid of customers.

Unavoidably, the Group's results for the six months ended 30 June 2020 have been severely affected. The Group's reported revenue for the six months ended 30 June 2020 was HK\$177.3 million, representing a slump of 70.1% over that of the same period last year. The Group's Adjusted EBITDA for the six months ended 30 June 2020 was a loss of HK\$53.5 million, as compared to Adjusted EBITDA of HK\$63.3 million for the six months ended 30 June 2019.

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

Credits to be given to the outperformance of our flagship product, the LMG machines, during the pandemic period, as we observed that their distinctive features of being capable to fit well and harmony to the specific measures imposed by DICJ to maintain a safe distance between gaming tables, and between gaming machines. The beauty of the LMG machines can offer to provide a more private, comfortable, spacious gaming environment for individual gaming patrons than traditional gaming tables could provide. Total GGR of LMG machines at Casino Kam Pek Paradise as a percentage of total GGR of the casino was increased from 38.8% for the six months ended 30 June 2019 to 55.4% for the six months ended 30 June 2020. This has innovated the Group with encouragement when designing and developing gaming products, the objectives should not only offer gaming satisfaction to patrons solely, but also highlight the importance of facilitating and prompting public health awareness on casino management strategy as a whole, which all stakeholders in all businesses will doubtlessly place health issue on high hierarchy.

The pandemic has swept the globe and most casinos, especially those in the United States, Macau and other Southeast Asian countries, which were also shut down for certain periods during the period under review. This has inevitably affected the plan of deployment of our self-developed slot machines in these markets. During the period under review, we have adopted flexible and tailor-made approach to be catered for individual clients strategically and received warm applause. Meanwhile, we have a strong belief that the attainment of technology and innovation shall be a key driving force to capture the rebound of the economies in good time. The Group's investments on research and development on the 5th generation mobile network, artificial intelligence and other high-tech products such as smart wear, smart home and wireless terminal products in areas of education, sports and living etc. shall enable us to take advantage of the recovery of sustainable growth when the prevailing health issues have been addressed. In addition, the Group will continue to explore other business opportunities in this economically recessive period.

No doubt, the pandemic has affected the businesses of the Group severely and caused a range of unforeseen challenges to the Group. The Group believes that an effective measure would be strategically prepared to act in an agile and flexible manner in order to navigate the economic and business impacts from this pandemic and position itself to be one of the forerunners to capture opportunities as soon as the economy starts to rebound, particularly in the fast-growing mass gaming market.

Interim Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2020.

Liquidity and Financial Resources

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

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

As at 30 June 2020, the consolidated net assets of the Group amounted to HK\$489.0 million, representing a decrease of HK\$119.5 million or 19.6% from HK\$608.5 million as at 31 December 2019. The decrease in consolidated net assets during the six months ended 30 June 2020 was mainly due to the Group's loss of HK\$111.3 million for the six months ended 30 June 2020.

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

As at 30 June 2020, the Group held pledged bank deposits of HK\$30.3 million, bank balances and cash of HK\$194.0 million and chips on hand of HK\$16.3 million.

The Group's pledged bank deposits as at 30 June 2020 comprise a fixed deposit of HK\$30.0 million (denominated in HK\$, the Group's functional currency, and placed at a Macau bank with original maturity of 12 months) and another fixed deposit of HK\$0.3 million (denominated in Australian dollars and placed at an Australian bank with original maturity of 12 months). The Group's other bank deposits were mainly denominated in HK\$, MOP, Euro and US\$. Given MOP is pegged to HK\$ and HK\$ are linked to US\$, the Group considers that the exposure to exchange rate risk is normal for its bank deposits denominated in MOP and US\$. Exchange rate of Euro against HK\$ fluctuated during the six months ended 30 June 2020. For accounting purposes, the Group's bank deposits denominated in Euro were retranslated into HK\$ at the exchange rate as at 30 June 2020 which resulted in a net unrealised exchange gain of approximately HK\$0.7 million being recognised in the Group's results for the six months ended 30 June 2020 (six months ended 30 June 2019: nil).

Borrowing and Gearing Ratio

As at 30 June 2020, the Group had outstanding (i) secured and unguaranteed bank borrowings of approximately HK\$141.5 million (31 December 2019: HK\$145.8 million); and (ii) unsecured and unguaranteed amounts due to Directors of HK\$2.3 million (31 December 2019: HK\$2.1 million).

The Group's bank borrowings carried interest at prevailing market rates and were on floating rate basis. The bank borrowings were denominated in MOP and HK\$. Given MOP is pegged to HK\$, the Group considers that the exposure to exchange rate risk is normal for its bank borrowings denominated in MOP. The maturity profile of the bank borrowings of HK\$141.5 million as at 30 June 2020 spread over a period of more than five years, with HK\$8.9 million repayable within one year, HK\$9.1 million in the second year, HK\$28.7 million in the third to fifth years and HK\$94.8 million over five years. The amounts due to Directors were interest-free and repayable on demand.

The Group's gearing ratio (expressed as a percentage of total borrowings over net assets) as at 30 June 2020 was 29.4% (31 December 2019: 24.3%).

During the six months ended 30 June 2020, the Group did not employ any financial instruments for hedging purposes.

Capital Commitments

As at 30 June 2020, the Group had capital commitment in respect of acquisition of property, plant and equipment which is contracted for but not provided for of HK\$4.5 million (31 December 2019: HK\$1.1 million).

Foreign Exchange Exposure

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

Charges on Group's Assets

As at 30 June 2020, leasehold land and buildings of the Group with the carrying amount of HK\$218.5 million were pledged to secure bank borrowings offered by banks to the Group.

In addition, as at 30 June 2020, the Group pledged bank fixed deposits of HK\$30.3 million, comprising HK\$30.0 million and HK\$0.3 million to secure for guarantees in favour of SJM (details below) and a landlord (for fulfilment of all obligations of the related group company as tenant), respectively. The bank deposit of HK\$30.0 million was placed at a bank as fixed deposit pledged to secure for a guarantee in the amount of HK\$45.7 million issued by the bank for the period from 15 May 2020 to 30 June 2023 in favour of SJM for the Group's fulfilment of all its obligations, in particular for reimbursement by the Group to SJM of the employees' compensation and benefits for those gaming operation employees employed by SJM who work for the casino under the Group's management, as stipulated under the service agreement (and all related supplemental agreements) entered into between SJM and the Group for provision of casino management services by the Group to SJM.

Contingent Liabilities

As at 30 June 2020, the Group did not have any significant contingent liabilities.

Employees and Remuneration Policy

As at 30 June 2020, the Group had approximately 800 employees, including approximately 390 gaming operation employees who were employed by SJM to work for Casino Kam Pek Paradise under the Group's management. These gaming operation employees were paid by SJM and the Group reimbursed SJM in full for their salaries and other benefits.

Total staff costs, including Directors' emoluments, for the six months ended 30 June 2020 amounted to HK\$171.7 million (for the six months ended 30 June 2019: HK\$213.5 million), including a total of HK\$80.8 million (for the six months ended 30 June 2019: HK\$121.1 million) paid or payable for gaming operation employees employed by SJM or Galaxy.

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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Directors' and Chief Executives' Interests in Securities

As at 30 June 2020, 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⁾
Mr. 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 which is wholly-owned by Mr. Jay Chun, an executive Director.
- (3) These Shares were held by Best Top Offshore Limited, a company which is wholly-owned by Mr. Shan Shiyong, alias, Sin Sai Yung, an executive Director.
- (4) The percentage represents the number of Shares interested divided by the number of issued Shares as at 30 June 2020.

Save as disclosed, 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 at 30 June 2020.

Substantial Shareholders' Interests in Shares

As at 30 June 2020, 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 in the Shares of the Company, which would require to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at a general meeting of the Company:

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

Notes:

- (1) All interests in Shares stated above represent long positions.
- (2) August Profit Investments Limited is wholly-owned by Mr. Jay Chun, an executive Director.
- (3) To the best of the Directors' knowledge, FIL Limited is controlled (as defined under the SFO) by Pandanus Partners L.P., which in turn is controlled (as defined under the SFO) by Pandanus Associates Inc. Those 77,504,000 Shares represent the same interests and are therefore duplicated among them.
- (4) The percentage represents the number of Shares interested divided by the number of issued Shares as at 30 June 2020.

Save as disclosed above, as at 30 June 2020, the Company had not been notified of any person or corporation who was interested in 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 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, advisors, consultants, suppliers, customers and agents of the Group. 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.

No options were granted, exercised, cancelled or lapsed by the Company under the Share Option Scheme and no equity settled employees' benefit (including Directors' emoluments) was recognised during the six months ended 30 June 2020. There was no share option outstanding under the Share Option Scheme during the six months ended 30 June 2020.

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. Further details of the Share Option Scheme are set out in the Annual Report 2019.

Share Award Scheme

The Company adopted the Share Award Scheme 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 2019.

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

During the six months ended 30 June 2020, no Shares were purchased by the Trustee, no awards were granted by the Company, and no awards were vested under the Share Award Scheme.

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 2020.

Update on Directors' Information

Biographical details of each of the Directors are set out in the Annual Report 2019.

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 2019.

Corporate Governance

Compliance with the CG Code

In the opinion of the Board, the Company has complied with the CG Code throughout the six months ended 30 June 2020, save for the following deviations:

Code Provision A.2.1

Mr. Jay Chun is the Chairman and the Managing Director of the Company. In the opinion of the Board, the roles of the Managing Director and the chief executive officer are the same. Although under code provision A.2.1 of the CG Code, the roles of the Chairman and chief executive officer should be separate and should not be performed by the same individual, the Board considers that the present structure provides the Group with strong and consistent leadership and allows for efficient and effective business planning and execution. Hence, the Board believes that it is in the best interest of the Shareholders that Mr. Jay Chun will continue to assume the roles of the Chairman of the Board and the Managing Director of the Company. However, the Company will review the current structure as and when it becomes appropriate in future.

Code Provision A.4.1

In accordance with code provision A.4.1 of the CG Code, non-executive Directors should be appointed for a specific term, subject to re-election. Currently, none of the Directors (including the independent non-executive Directors) is appointed for a specific term. However, all Directors (including the independent non-executive Directors) are subject to retirement by rotation at least once every three years at annual general meeting of the Company in accordance with the provision of the Bye-laws of the Company, and their terms of appointment will be reviewed when they are due for re-election.

Compliance with the Model Code

The Company has adopted the Model Code as the code of conduct regarding Directors' securities transactions. Having made specific enquiry of all Directors, all Directors have confirmed that they had complied with the requirements set out in the Model Code during the six months ended 30 June 2020.

Review of Interim Report 2020 and Unaudited Condensed Consolidated Financial Statements

The Interim Report 2020 including the unaudited condensed consolidated financial statements of the Company for the six months ended 30 June 2020 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 2020 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

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

By Order of the Board

Paradise Entertainment Limited

Jay Chun

Chairman and Managing Director

Hong Kong, 26 August 2020

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte.

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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 16 to 34, which comprise the condensed consolidated statement of financial position as of 30 June 2020 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
26 August 2020

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2020

	Notes	Six months ended 30 June	
		2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Revenue	3	177,333	591,963
Cost of sales and services		(183,750)	(321,913)
Gross (loss) profit		(6,417)	270,050
Other income, gains and losses		35,782	9,353
Marketing, selling and distribution costs		(32,056)	(112,776)
Operating and administrative expenses		(97,089)	(134,352)
Amortisation of intangible assets		(6,069)	(6,069)
Finance costs	5	(2,005)	(1,423)
Share of losses of joint ventures		(1,176)	(788)
(Loss) profit before taxation	6	(109,030)	23,995
Taxation	7	(2,306)	(202)
(Loss) profit for the period		(111,336)	23,793
(Loss) profit for the period attributable to:			
— owners of the Company		(109,446)	19,446
— non-controlling interests		(1,890)	4,347
		(111,336)	23,793
Basic (loss) earnings per share	9	HK(10.4) cents	HK1.8 cents

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
(Loss) profit for the period	(111,336)	23,793
Other comprehensive (expense) income:		
<i>Item that will not be reclassified to profit or loss:</i>		
Fair value (loss) gain on investment in equity instruments designated at fair value through other comprehensive income	(144)	73
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of foreign operations	(941)	(583)
Other comprehensive expense for the period	(1,085)	(510)
Total comprehensive (expense) income for the period	(112,421)	23,283
Total comprehensive (expense) income for the period attributable to:		
— owners of the Company	(110,504)	18,910
— non-controlling interests	(1,917)	4,373
	(112,421)	23,283

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

	Notes	At 30 June 2020 HK\$'000 (unaudited)	At 31 December 2019 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	10	271,301	310,393
Right-of-use assets		17,253	18,093
Intangible assets		62,712	68,781
Interests in joint ventures		3,095	3,540
Investment in equity instruments designated at fair value through other comprehensive income		—	1,366
Other assets		7,332	5,906
Pledged bank deposits		30,305	—
		391,998	408,079
Current assets			
Inventories		67,978	61,545
Trade and other receivables	11	101,425	163,860
Amount due from a joint venture		—	195
Amounts due from related companies	12	234	1,140
Bank balances and cash		194,037	245,612
Pledged bank deposits		—	28,800
		363,674	501,152
Current liabilities			
Trade and other payables	13	69,708	117,312
Amounts due to directors	14	2,305	2,109
Amounts due to joint ventures		211	184
Taxation payable		8,712	6,912
Bank borrowings — due within one year	15	8,886	8,776
Lease liabilities		12,485	10,659
Contract liabilities	16	26,628	9,846
		128,935	155,798
Net current assets		234,739	345,354
Total assets less current liabilities		626,737	753,433
Non-current liabilities			
Bank borrowings — due after one year	15	132,565	137,055
Lease liabilities		5,219	7,894
		137,784	144,949
Net assets		488,953	608,484
Capital and reserves			
Share capital	17	1,052	1,052
Reserves		445,059	555,563
Equity attributable to owners of the Company		446,111	556,615
Non-controlling interests		42,842	51,869
		488,953	608,484

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Attributable to owners of the Company							Non-controlling interests	Total
	Share capital	Contributed surplus	Investment revaluation reserve	Translation reserve	Accumulated losses	Subtotal			
	HK\$'000	HK\$'000 (note)	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 31 December 2019 (audited)	1,052	1,020,504	206	20,109	(485,256)	556,615	51,869	608,484	
Loss for the period	—	—	—	—	(109,446)	(109,446)	(1,890)	(111,336)	
Other comprehensive expense for the period	—	—	(118)	(940)	—	(1,058)	(27)	(1,085)	
Total comprehensive expense for the period	—	—	(118)	(940)	(109,446)	(110,504)	(1,917)	(112,421)	
Reclassification adjustment for amount transferred to accumulated losses upon disposal of investment in equity instruments designated at fair value through other comprehensive income	—	—	(88)	—	88	—	—	—	
Dividend recognised as distribution to non-controlling interests (note 18)	—	—	—	—	—	—	(7,110)	(7,110)	
At 30 June 2020 (unaudited)	1,052	1,020,504	—	19,169	(594,614)	446,111	42,842	488,953	
At 31 December 2018 (audited)	1,052	1,046,809	257	20,979	(486,182)	582,915	45,803	628,718	
Profit for the period	—	—	—	—	19,446	19,446	4,347	23,793	
Other comprehensive income (expense) for the period	—	—	60	(596)	—	(536)	26	(510)	
Total comprehensive income (expense) for the period	—	—	60	(596)	19,446	18,910	4,373	23,283	
Deregistration of a subsidiary	—	—	—	—	—	—	25	25	
Dividend paid (note 8)	—	(26,305)	—	—	—	(26,305)	—	(26,305)	
At 30 June 2019 (unaudited)	1,052	1,020,504	317	20,383	(466,736)	575,520	50,201	625,721	

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, share premium cancellation and 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 2020

	Six months ended 30 June	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Net cash (used in) from operating activities	(34,839)	37,011
Investing activities		
Placement of pledged bank deposits	(30,305)	—
Purchases of property, plant and equipment	(2,657)	(10,009)
Deposits paid for acquisition of property, plant and equipment	(2,126)	(14,312)
Advances to joint ventures	(536)	(2,915)
Proceeds from disposal of property, plant and equipment	285	—
Proceeds of rental deposits refunded	338	354
Proceeds from disposal of investment in equity instruments designated at fair value through other comprehensive income	1,222	—
Interest received	1,674	2,978
Proceed from release of pledged bank deposit	28,800	—
Payments for rental deposits	—	(613)
Net cash used in investing activities	(3,305)	(24,517)
Financing activities		
Repayment of lease liabilities	(6,312)	(4,587)
Repayment of bank borrowings	(4,380)	(2,511)
Interest paid	(2,015)	(1,415)
Advances from directors	196	51
Dividend paid	—	(26,305)
Net cash used in financing activities	(12,511)	(34,767)
Net decrease in cash and cash equivalents	(50,655)	(22,273)
Effect of foreign exchange rate changes	(920)	(542)
Cash and cash equivalents at 1 January	245,612	264,827
Cash and cash equivalents at 30 June, represented by Bank balances and cash	194,037	242,012

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

1. General

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 (“HKAS”) 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) as well as with 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 this year and the subsequent quarantine measures as well as travel restrictions imposed by jurisdictions including Macau and Hong Kong have had negative impacts to the business environment and directly and indirectly affected the operations of the Group.

During the six months ended 30 June 2020, the Macau government announced the mandatory suspension of operations of all casinos in Macau for at least 15 days from 5 February 2020 in an effort to contain the spread of the pandemic. Operations in Casino Kam Pek Paradise were suspended on 5 February 2020 and resumed on 20 February 2020, and operations in Casino Waldo were suspended on 5 February 2020 and resumed on 24 February 2020.

The Group continued to provide casino management services in Casino Waldo until the related service contract expired on 29 February 2020. The Group did not request for renewal or extension of the service contract and accordingly, the Group has ceased to provide casino management services in Casino Waldo since 1 March 2020. Accordingly, the Group has recognised relevant loss on disposal/write-off of property, plant and equipment and impairment loss in respect of property, plant and equipment during the current interim period as disclosed in note 6.

On the other hand, in facing the outbreak of Covid-19, the Group has tried to explore other businesses by making use of its extensive network in the People’s Republic of China (the “PRC”) to take part in the provision of procurement services in the PRC on behalf of an overseas customer. The income from provision of procurement service has made positive contribution to the Group’s results for the current interim period.

As such, the financial positions and performance of the Group were affected in different aspects, including a reduction in revenue and recognition of losses from the casino management services segment and the gaming systems segment, and recognition of procurement service income for the six months ended 30 June 2020.

2. Significant accounting policies

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment in equity instruments designated at fair value through other comprehensive income (“FVTOCI”), which is measured at fair value at the end of each reporting period.

Other than changes in accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those followed in the preparation of the annual financial statements of the Company and its subsidiaries (collectively referred as the “Group”) for the year ended 31 December 2019.

Application of amendments to HKFRSs

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

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

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

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

Impacts of application on Amendments to HKAS 1 and HKAS 8 “Definition of Material”

The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity”. The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current period had no impact on the condensed consolidated financial statements. Changes in presentation and disclosures on the application of the amendments, if any, will be reflected on the consolidated financial statements for the year ending 31 December 2020.

3. Revenue

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

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
<hr/>		
Casino management services:		
Provision of casino management services, recognised over time	165,875	499,162
Electronic gaming equipment and systems:		
Sale of electronic gaming equipment and systems, recognised at a point in time	9,675	89,325
Leasing of electronic gaming equipment and systems — variable operating lease payments	1,394	2,401
Royalty income, recognised over time	389	1,075
	11,458	92,801
	177,333	591,963

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
<hr/>		
Analysis of revenue:		
Recognised over time	166,264	500,237
Recognised at a point in time	9,675	89,325
Revenue recognition for revenue from contracts with customers	175,939	589,562
Leasing income	1,394	2,401
	177,333	591,963

4. Segment information

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

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

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

Information regarding the above segments is reported below:

For the six months ended 30 June 2020 (unaudited)

	Casino management services HK\$'000	Gaming systems HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Segment revenue	165,875	11,458		177,333
Segment results	(80,540)	(50,396)		(130,936)
Unallocated corporate income				43,433
Unallocated corporate expenses				(18,346)
Finance costs				(2,005)
Share of losses of joint ventures				(1,176)
Loss before taxation				(109,030)
Taxation				(2,306)
Loss for the period				(111,336)
Other information				
Capital expenditure	1,522	1,426	17	2,965
Amortisation of intangible assets	6,069	—	—	6,069
Depreciation of property, plant and equipment	22,167	4,970	450	27,587
Depreciation of right-of-use assets	2,318	1,702	2,292	6,312
Loss (gain) on disposal/write-off of property, plant and equipment	9,652	56	(2)	9,706
Impairment loss in respect of property, plant and equipment	5,000	—	—	5,000
Write-down of inventories	—	4,250	—	4,250

4. Segment information (Continued)

For the six months ended 30 June 2019 (unaudited)

	Casino management services HK\$'000	Gaming systems HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Segment revenue	499,162	92,801		591,963
Segment results	36,281	6,625		42,906
Unallocated corporate expenses				(16,700)
Finance costs				(1,423)
Share of losses of joint ventures				(788)
Profit before taxation				23,995
Taxation				(202)
Profit for the period				23,793
Other information				
Capital expenditure	4,517	5,553	31	10,101
Amortisation of intangible assets	6,069	—	—	6,069
Depreciation of property, plant and equipment	24,457	4,890	523	29,870
Depreciation of right-of-use assets	1,773	1,164	1,991	4,928
Write-down of inventories	—	436	—	436

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

5. Finance costs

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest on bank borrowings	1,724	1,100
Interest on lease liabilities	281	323
Total	2,005	1,423

6. (Loss) profit before taxation

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
<hr/>		
(Loss) profit before taxation has been arrived at after charging:		
Directors' emoluments	13,221	13,224
Cost of inventories recognised as expenses (included in cost of sales and services)	3,401	23,455
Depreciation of property, plant and equipment	27,587	29,870
Depreciation of right-of-use assets	6,312	4,928
Short-term lease rentals in respect of rented premises	10,668	26,037
Variable lease rentals in respect of rented premises which are not included in lease liabilities	9,082	15,338
Commission expenses for casino management services (included in marketing, selling and distribution costs)	14,130	69,570
Research and development expenditure (note i) (included in operating and administrative expenses)	45,056	44,247
Loss on disposal/write-off of property, plant and equipment (included in other income, gains and losses)	9,706	—
Impairment loss in respect of property, plant and equipment (included in other income, gains and losses)	5,000	—
Write-down of inventories (included in cost of sales and services)	4,250	436
and after crediting:		
Procurement service income (note ii) (included in other income, gains and losses)	43,365	—
	<hr/> 43,365 <hr/>	<hr/> — <hr/>

Notes:

- (i) Research and development expenditure for the six months ended 30 June 2020 of HK\$45,056,000 includes staff costs of HK\$26,527,000, depreciation of property, plant and equipment of HK\$759,000, depreciation of right-of-use assets of HK\$1,521,000, short-term lease expenses of HK\$34,000 and other expenses of HK\$16,215,000.

Research and development expenditure for the six months ended 30 June 2019 of HK\$44,247,000 includes staff costs of HK\$20,122,000, depreciation of property, plant and equipment of HK\$501,000, depreciation of right-of-use assets of HK\$925,000, short-term lease expenses of HK\$504,000 and other expenses of HK\$22,195,000.

- (ii) During the six months ended 30 June 2020, the Group provided procurement services in the PRC for an overseas customer and recognised net service income of HK\$43,365,000 (six months ended 30 June 2019: nil).

7. Taxation

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current taxation charge		
— Macau Complementary Tax	2,000	—
— Lump Sum Dividend Tax	189	189
— PRC Enterprise Income Tax	117	13
	2,306	202

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

Macau Complementary Tax ("Macau CT") is calculated at 12% of the estimated assessable profit for the current period. No provision for Macau CT was made in the condensed consolidated financial statements for the six months ended 30 June 2019 as the Group did not generate any assessable profit for that period.

Pursuant to the confirmation letters issued by the Financial Services Bureau of the Macau government dated 15 August 2017, 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 Sociedade de Jogos de Macau, S.A. ("SJM") is not subject to Macau CT for the years ended 31 December 2017 to 2019 and the three months ended 31 March 2020, since it is derived from SJM's gaming revenue, for which gaming revenue is exempted from Macau CT pursuant to the terms of no. 2 of article 28 of the Law 16/2001 and the exemption granted by Despach no. 378/2011 of 23 November 2011. LT Macau has applied for extension of exemption from Financial Services Bureau of the Macau government. This application has not been approved up to the date of this report.

Pursuant to the approval letter issued by the Financial Services Bureau of the Macau government dated 15 August 2017, LT Macau is obligated to pay an annual lump sum dividend withholding tax of Macau Pataca ("MOP") 389,000 (equivalent to HK\$378,000) for each of the years ended 31 December 2017 to 2019 and MOP97,000 (equivalent to HK\$94,000) for the three months ended 31 March 2020 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 casinos at Casino Kam Pek Paradise and Casino Lisboa. 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. LT Macau has applied for extension of approval from Financial Services Bureau of the Macau government, but the amount of the annual lump sum dividend tax for the period from 1 April 2020 to 26 June 2022 has not been determined by the Financial Services Bureau of the Macau government up to the date of this report. As a result, for the six months ended 30 June 2020, provision for taxation of HK\$189,000 (six months ended 30 June 2019: HK\$189,000) has been recognised which was charged to the condensed consolidated statement of profit or loss.

PRC Enterprise Income Tax for operating subsidiaries established in the PRC is calculated at the PRC Enterprise Income Tax rate of 25% prevailing in the PRC on the assessable profit for the current period. Taxation for overseas subsidiaries, except for those incorporated in Macau and the PRC, are charged at the appropriate current rate of taxation ruling in the relevant countries.

10. Property, plant and equipment

	At 30 June 2020 HK\$'000 (unaudited)	At 31 December 2019 HK\$'000 (audited)
Carrying values		
Leasehold land and buildings	218,450	222,153
Leasehold improvements	6,003	23,064
Plant and machinery	35,352	51,724
Furniture, fixtures and office equipment	6,425	7,689
Motor vehicles	5,071	5,763
Total	271,301	310,393

During the six months ended 30 June 2020, the Group incurred HK\$2,965,000 (six months ended 30 June 2019: HK\$10,101,000) on acquisition of property, plant and equipment.

During the six months ended 30 June 2020, the Group disposed of/wrote off certain property, plant and equipment with an aggregate carrying amount of HK\$9,991,000 (six months ended 30 June 2019: nil) for cash proceeds of HK\$285,000 (six months ended 30 June 2019: nil), resulting in a loss on disposal/write-off of HK\$9,706,000 (six months ended 30 June 2019: nil).

The Group ceased to provide casino management services in Casino Waldo since 1 March 2020. The directors of the Company conducted an impairment assessment of certain property plant and equipment placed at the casino by reviewing their recoverable amounts. Based on the impairment assessment, as the recoverable amounts of certain property, plant and equipment are estimated to be less than their carrying amounts, their carrying amounts are required to be reduced to their recoverable amounts as at 30 June 2020. As a result, an impairment loss of HK\$5,000,000 (six months ended 30 June 2019: nil) in respect of those assets was recognised in the condensed consolidated financial statements in the current period (six months ended 30 June 2019: nil).

11. Trade and other receivables

	At 30 June 2020 HK\$'000 (unaudited)	At 31 December 2019 HK\$'000 (audited)
Trade receivables, net (note i)	8,100	57,608
Chips on hand (note ii)	16,250	33,244
Deposits paid	46,543	44,333
Loan receivable (note iii)	7,799	14,040
Other receivables and prepayments (notes iii and iv)	22,733	14,635
	101,425	163,860

11. Trade and other receivables (Continued)

Notes:

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

As at 30 June 2020, trade receivables of HK\$8,100,000 (31 December 2019: HK\$57,608,000) comprised receivables from contracts with customers and lease receivables of HK\$7,632,000 (31 December 2019: HK\$57,155,000) and HK\$468,000 (31 December 2019: HK\$453,000), respectively.

Before accepting any new customer, the Group gathers and assesses the credit information of the potential customer in considering the customer's quality and determining the credit limits for that customer. Recoverability and credit 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 aggregate carrying amount of HK\$6,974,000 (31 December 2019: HK\$55,913,000), which are neither past due nor impaired. The directors of the Company considered that trade receivables which are neither past due nor impaired are of good credit quality given the continuous subsequent settlements from gaming operators and other customers.

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

As at 30 June 2020, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK\$1,126,000 (31 December 2019: HK\$1,695,000) which are past due as at the reporting date. Out of the past due balances, HK\$462,000 (31 December 2019: HK\$339,000) has been past due 90 days or more and is 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 30 June 2020, 86.0% (31 December 2019: 91.7%) of the trade receivables that are neither past due nor impaired have the best credit scoring attributable under the internal credit scoring system used by the Group.

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 2020 HK\$'000 (unaudited)	At 31 December 2019 HK\$'000 (audited)
Age:		
0–30 days	6,974	55,913
31–60 days	—	233
61–90 days	664	915
91–180 days	—	532
181–365 days	462	15
	8,100	57,608

- (ii) Chips on hand represent chips issued by gaming operators in Macau which can be exchanged into their cash amounts.
- (iii) The amount represented a loan granted by the Group to a third party (the "Borrower") which is a company incorporated in Japan and principally engaged in the development and manufacture of gaming products. The loan is unsecured, bears interest at the rate of 8% per annum and is guaranteed by a director of a non-wholly owned subsidiary of the Company who also holds an 18% shareholding in this non-wholly owned subsidiary. The maturity date of the outstanding loan principal and accrued interest is 5 October 2020. At 30 June 2020, an amount of the interest receivable of HK\$51,000 (31 December 2019: HK\$402,000) accrued from the loan was included in other receivables and prepayments.
- (iv) At 30 June 2020, value-added tax receivable in relation to procurement service transaction as set out in note 6(ii) of HK\$8,257,000 (31 December 2019: nil) was included in other receivables and prepayments.

12. Amounts due from related companies

The amounts due from related companies are trade in nature, unsecured and interest-free. The amounts of HK\$234,000 (31 December 2019: HK\$1,140,000) are aged within 0 to 30 days based on invoice date. The balance is neither past due nor impaired at the end of the reporting period.

13. Trade and other payables

	At 30 June 2020 HK\$'000 (unaudited)	At 31 December 2019 HK\$'000 (audited)
Trade payables	15,292	17,564
Accrued staff costs	26,233	52,934
Accrued promotional expenses	15,663	25,967
Deposits received	1,155	1,335
Other sundry payables	8,115	12,612
Other accrued expenses	3,250	6,900
	69,708	117,312

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

	At 30 June 2020 HK\$'000 (unaudited)	At 31 December 2019 HK\$'000 (audited)
Age:		
0–30 days	4,558	14,339
31–60 days	124	1,717
61–90 days	44	459
91–365 days	9,819	612
Over 365 days	747	437
	15,292	17,564

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

14. Amounts due to directors

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

15. Bank borrowings

	At 30 June 2020 HK\$'000 (unaudited)	At 31 December 2019 HK\$'000 (audited)
Bank borrowings	141,451	145,831
The bank borrowings are repayable as follows*:		
Within one year	8,886	8,776
Within a period of more than one year but not exceeding two years	9,102	8,992
Within a period of more than two years but not exceeding five years	28,668	28,323
Within a period of more than five years	94,795	99,740
	141,451	145,831
Less: Amounts due within one year shown under current liabilities	(8,886)	(8,776)
	132,565	137,055

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

At 30 June 2020, the bank borrowings carried interest at the Lending Prime Rate ("Prime rate") as quoted by the lending banks from time to time minus 2.85% (31 December 2019: Prime rate minus 2.85%) per annum. The effective interest rate of the bank borrowings are 2.40% (31 December 2019: 2.40%) per annum.

At 30 June 2020, the bank borrowings of HK\$141,451,000 (31 December 2019: HK\$145,831,000) are secured by mortgages over the Group's leasehold land and buildings with an aggregate carrying amount of HK\$218,450,000 (31 December 2019: HK\$222,153,000). The bank borrowings are denominated in MOP and HK\$.

16. Contract liabilities

Contract liabilities comprise deposits received from customers in relation to the sale of electronic gaming equipment and systems which are recognised when the goods are approved by the local regulatory authority, delivered and titles have been passed. Except for an amount of HK\$25,618,000 (31 December 2019: HK\$9,846,000) which will be recognised as revenue when the Group performs its obligations under the contracts which are expected to be within one year from the end of the reporting period, the remaining amount of HK\$1,010,000 (31 December 2019: nil) is expected to be recognised as revenue between one to two years from the end of the reporting period.

17. Share capital

	Number of shares '000	Share capital HK\$'000
Ordinary shares of HK\$0.001 each		
<i>Authorised:</i>		
At 31 December 2018 (audited), 31 December 2019 (audited) and 30 June 2020 (unaudited)	1,000,000,000	1,000,000
<i>Issued and fully paid:</i>		
At 31 December 2018 (audited), 31 December 2019 (audited) and 30 June 2020 (unaudited)	1,052,185	1,052

18. Major non-cash transactions

During the six months ended 30 June 2020, an interim dividend was declared by a non-wholly owned subsidiary of the Company and the non-controlling shareholder of the subsidiary assigned its dividend entitled amounting to HK\$7,110,000 (six months ended 30 June 2019: nil) to the Borrower for partial settlement of the loan principal and interest payable by the Borrower to the Group under the loan mentioned in note 11(iii).

During the six months ended 30 June 2020, property, plant and equipment of HK\$543,000 (six months ended 30 June 2019: HK\$661,000) were transferred from inventories.

19. Capital commitments

	At 30 June 2020 HK\$'000 (unaudited)	At 31 December 2019 HK\$'000 (audited)
Capital expenditure in respect of property, plant and equipment contracted for but not provided for in the condensed consolidated financial statements	4,470	1,059

20. Fair value measurements of financial instruments

Other than investment in equity instruments designated at FVTOCI, the fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

Investment in equity instruments designated at FVTOCI in respect of listed equity securities are determined by reference to the quoted bid prices in an active market. The fair value measurement is classified as Level 1 under fair value hierarchy. There were no transfers between Level 1 and other Levels during both periods.

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.

21. Related party transactions

Except for disclosures 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	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Sale of electronic gaming equipment and systems (note i)	208	581
Consultancy fee (note ii)	180	240
Staff costs (note iii)	2,373	2,326
Purchase of frozen food and products (note iv)	140	58
Rental income (note iv)	245	49
Rental expense (note iv)	93	—

Notes:

- (i) The related parties are companies wholly-owned by the brother-in-law of Mr. Jay Chun, an Executive Director.
- (ii) The related party is the brother-in-law of Mr. Jay Chun, an Executive Director.
- (iii) The related party is the spouse of Mr. Jay Chun, an Executive Director. The transactions were charged at pre-determined amounts agreed between the parties involved.
- (iv) The related party is a joint venture of the Group. The transactions were charged at pre-determined amounts agreed between the parties involved.

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

22. Change in presentation of comparatives

Certain comparative figures of the condensed consolidated financial statements were reclassified to conform with the current period's presentation.

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, depreciation on right-of-use assets, amortisation of intangible assets, gain or loss on disposal/write-off of property, plant and equipment, impairment loss in respect of property, plant and equipment and costs incurred or associated with corporate exercises or potential projects, where applicable
“Annual Report 2019”	the annual report of the Company dated 26 March 2020 for the year ended 31 December 2019
“Board”	the board of Directors
“CG Code”	the Corporate Governance Code contained in Appendix 14 to the Listing Rules
“Company”	Paradise Entertainment Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange
“DICJ”	Direcção de Inspeção e Coordenação de Jogos, the Gaming Inspection and Coordination Bureau in Macau
“Director(s)”	the director(s) of the Company
“ETG”	electronic table game
“Euro”	the lawful currency of the member states of the European Union
“Galaxy”	Galaxy Casino, S.A., one of the three concessionaires for operation of casinos in Macau
“GGR”	gross gaming revenue, being total net win generated by all casino gaming activities combined, calculated before deduction of commissions and other expenses, if any
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“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” or “Macao”	the Macao Special Administrative Region of the PRC
“Model Code”	the Model Code for Securities Transaction by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
“MOP”	Macau Pataca, the lawful currency of Macau

“PRC”	the People’s Republic of China
“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”	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