



PARADISE ENTERTAINMENT LIMITED

滙彩控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code : 1180)

INTERIM REPORT

2021

* 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

Independent Non-Executive Directors

Mr. LI John Zongyang

Mr. Kai-Shing TAO

Ms. TANG Kiu Sam Alice

Audit Committee

Mr. LI John Zongyang (*Chairman*)

Mr. Kai-Shing TAO

Ms. TANG Kiu Sam Alice

Remuneration Committee

Mr. LI John Zongyang (*Chairman*)

Mr. Jay CHUN

Ms. TANG Kiu Sam Alice

Nomination Committee

Mr. Jay CHUN (*Chairman*)

Mr. LI John Zongyang

Ms. TANG Kiu Sam Alice

Authorised Representatives

Mr. Jay CHUN

Mr. CHAN Kin Man

Company Secretary

Mr. CHAN Kin Man

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head Office and Principal Place of Business

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

Bermuda Principal Share Registrar

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

Hong Kong Branch Share Registrar

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

Hong Kong Legal Advisors

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

Independent Auditor

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

Principal Bankers

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

Listing Information

Place of Listing

Main Board of the Stock Exchange

Stock Code

1180

Board Lot Size

4,000 Shares

Investor Relations

Tel: (852) 2620 5303

Fax: (852) 2620 6000

Email: paradise.ir@hk1180.com

Website

www.hk1180.com

Corporate Communications

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Financial Review

Overview of Results

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

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

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

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

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

	Six months ended 30 June	
	2021	2020
	HK\$ million	HK\$ million
Loss for the period	(21.5)	(111.3)
Adjustments for:		
Interest income	(1.2)	(1.2)
Finance costs	2.0	2.0
Taxation	0.2	2.3
Depreciation of property, plant and equipment	15.2	27.6
Impairment loss in respect of property, plant and equipment	—	5.0
Loss on disposal/write-off of property, plant and equipment	—	9.7
Depreciation of right-of-use assets	7.7	6.3
Gain on early termination of lease contracts	(0.1)	—
Amortisation of intangible assets	6.1	6.1
Net gain on acquisitions of subsidiaries	(3.3)	—
Adjusted EBITDA	5.1	(53.5)

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

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

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

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

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

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

Provision of Casino Management Services

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

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

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

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

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

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

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

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

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

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

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

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

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

Sale of Electronic Gaming Equipment and Systems

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

Leasing of Electronic Gaming Equipment and Systems

For the six months ended 30 June 2021, revenue from the leasing of electronic gaming equipment and systems amounted to HK\$2.8 million, representing an increase of 100.0% over that of HK\$1.4 million for the six months ended 30 June 2020. Revenue for the six months ended 30 June 2021 comprised revenue derived from the leasing of electronic gaming equipment and systems in Macau of HK\$1.2 million (six months ended 30 June 2020: HK\$1.2 million) and overseas markets of HK\$1.6 million (six months ended 30 June 2020: HK\$0.2 million).

Royalty income from IGT

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

With reference to the royalty statements provided by IGT to the Group, the Group recognised royalty income of HK\$1.8 million for the six months ended 30 June 2021 (for the six months ended 30 June 2020: HK\$0.4 million). Up to 30 June 2021, the Group has accumulatively recognised a total royalty income of HK\$11.2 million from IGT.

Acquisitions of Subsidiaries

On 11 January 2021, the Group acquired the remaining 50% equity interests in Tong Sin Catering And Import & Export Group Company Limited (“Tong Sin”) and Bigger A Import And Export Trade Limited (“Bigger A”) from independent third parties at a total cash consideration of HK\$1.5 million. Tong Sin is principally engaged in the business of importing, exporting and sale of frozen food products and packaged meats, and the investment of 50% interests in Shuang Zuan Management Restaurant Company Limited (“Shuang Zuan”), which is principally engaged in the management and operation of food and beverage businesses in Macau, while Bigger A is inactive. Upon completion of the acquisitions, Tong Sin and Bigger A have become indirect wholly-owned subsidiaries of the Company. The acquisitions have resulted in a net gain of HK\$3.3 million recognised by the Group for the six months ended 30 June 2021, details of which are set out in note 21 to the condensed consolidated financial statements for the six months ended 30 June 2021.

Subscription of Convertible Loan

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

Impact of Covid-19 on the Group’s Business

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

According to the statistical information published by DICJ, Macau's total GGR for the six months ended 30 June 2021 was MOP49.0 billion, up 45.4% over the same period last year, but it was only 32.8% of Macau's GGR for the six months ended 30 June 2019. Moreover, Macau's total GGR for June 2021 dropped 37.4% when compared with that for May 2021. Visitations to Macau also exhibited similar trends. Total number of arrivals in Macau for the six months ended 30 June 2021 was 3.9 million, up 20.2% over the same period last year, but it was only 19.4% of visitations to Macau for the six months ended 30 June 2019. Visitations to Macau for June 2021 dropped 39.0% when compared with that for May 2021. The month-on-month decline in June 2021 followed an outbreak of the pandemic in the neighboring Guangdong Province in late May 2021. In addition, the current wave of new virus variant transmissions in certain parts of Mainland China in recent months and the identification of new cases in Macau in early August 2021 have also tightened the prevention and control measures in Macau and the regions nearby. All these demonstrate that the pandemic remains fluid and fragile, lifted measures may be reintroduced if there are adverse developments to the pandemic in Macau and other regions with access to Macau. It is still uncertain as to how long it will take for the economy to regain its full momentum.

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

Prospects

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

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

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

In recent years, the Group has been investing increasingly in research and development of 5G, AI and other high-tech products. The Group's latest research accomplishments including smart wear, smart home and 5G wireless terminal high-tech products adhere to the trend of transformation of high-tech development in wireless edge of 5G and AI. These high-tech products enhance human being's quality of life significantly in areas of education, sports and living, etc. and are highly acclaimed by sports lovers and parents. In the years to come, we believe that these high-tech products will be more closely integrated with entertainment business for the continuous enhancement of players' experience and generate fresh revenue streams for the Group.

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

Interim Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2021.

Liquidity and Financial Resources

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

The Group has adopted a prudent financial management approach towards its financial and treasury policies. During the six months ended 30 June 2021, the Group was on track with this approach to maintain a healthy liquidity position. The Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time. The Group may utilise the balance of cash for appropriate investment in accordance with the Group's strategic direction and development.

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

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

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

The Group's pledged bank deposits of HK\$30.8 million as at 30 June 2021 comprised a fixed deposit of HK\$30.5 million (denominated in HK\$, the Group's functional currency, and placed at a Macau bank with original maturity of 12 months) and another fixed deposit of HK\$0.3 million (denominated in Australian dollars and placed at an Australian bank with original maturity of 12 months). The Group's other bank deposits and cash of HK\$114.3 million and chips on hand of HK\$12.0 million as at 30 June 2021 were mainly denominated in HK\$, MOP, RMB and US\$. Given MOP is pegged to HK\$ and HK\$ are linked to US\$, the Group considers the exposure to exchange rate risk is normal for its bank deposits denominated in MOP and US\$. Exchange rate of RMB against HK\$ fluctuated during the six months ended 30 June 2021. For accounting purposes, the Group's bank deposits denominated in RMB were retranslated into HK\$ at the exchange rate as at 30 June 2021 which resulted in a net unrealised exchange loss of HK\$0.1 million being recognised in the Group's results for the six months ended 30 June 2021.

Borrowings and Gearing Ratio

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

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

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

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

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

Capital Commitments

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

Foreign Exchange Exposure

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

Charges on Group's Assets

As at 30 June 2021, leasehold land and buildings of the Group with the carrying amount of HK\$211.0 million were pledged to secure bank borrowings offered by banks to the Group.

In addition, as at 30 June 2021, the Group pledged bank fixed deposits of HK\$30.8 million, comprising HK\$30.5 million and HK\$0.3 million to secure for guarantees in favour of SJM Resorts and a landlord (for fulfilment of all obligations of the related group company as tenant), respectively. The bank deposit of HK\$30.5 million was placed at a bank as fixed deposit pledged to secure for a guarantee in the amount of HK\$45.7 million issued by the bank for the period from 15 May 2020 to 30 June 2023 in favour of SJM Resorts for the Group's fulfilment of all its obligations, in particular for the reimbursement by the Group to SJM Resorts of the employees' compensation and benefits for those gaming operation employees employed by SJM Resorts who work for the casino under the Group's management, as stipulated under the service agreement (and all related supplemental agreements) entered into between SJM Resorts and the Group for provision of casino management services by the Group to SJM Resorts.

Contingent Liabilities

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

Material Acquisitions, Disposals and Significant Investment

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

Future Plans for Material Investment or Capital Assets

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

Employees and Remuneration Policy

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

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

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

CORPORATE GOVERNANCE AND OTHER INFORMATION

Directors' and Chief Executives' Interests in Securities

As at 30 June 2021, 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 total number of issued Shares as at 30 June 2021.

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 2021.

Substantial Shareholders' Interests in Shares

As at 30 June 2021, according to the register of interests kept by the Company under section 336 of the SFO, and so far as was known to the Directors or chief executives of the Company, the following persons or corporations, other than Directors or chief executives of the Company, had interests 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 total number of issued Shares as at 30 June 2021.

Save as disclosed above, as at 30 June 2021, the Company had not been notified of any person or corporation who was interested or had a short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company under section 336 of the SFO.

Share Option Scheme

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

No options were granted by the Company, exercised, cancelled or lapsed under the Share Option Scheme and no equity settled employees' benefit (including Directors' emoluments) was recognised during the six months ended 30 June 2021. There was no share option outstanding under the Share Option Scheme during the six months ended 30 June 2021.

As at the date of this report, the total number of Shares available for issue under the Share Option Scheme is 105,218,531 Shares, representing 10% of the Shares in issue as at the date of adoption of the Share Option Scheme, that is 25 May 2017. Further details of the Share Option Scheme are set out in the Annual Report 2020.

Share Award Scheme

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

The Share Award Scheme does not constitute a share option scheme or an arrangement analogous to a share option scheme for the purpose of Chapter 17 of the Listing Rules and therefore no Shareholders' approval is required for the adoption of the Share Award Scheme. Further details of the Share Award Scheme are set out in the Company's announcement dated 11 November 2019 and the Annual Report 2020.

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

No awards were granted by the Company under the Share Award Scheme since its adoption and up to 30 June 2021. Accordingly, during the six months ended 30 June 2021, no Shares were purchased by the Trustee, 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 2021.

Update on Directors' Information

Biographical details of each of the Directors are set out in the Annual Report 2020.

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

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

Corporate Governance

Compliance with the CG Code

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

Code Provision A.2.1

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

Code Provision A.4.1

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

Compliance with the Model Code

The Company has adopted the Model Code as the code of conduct regarding Directors' securities transactions. Having made specific enquiry of all Directors, all Directors (including the existing Directors and the former Director who had been a Director during the six months ended 30 June 2021) have confirmed that they had complied with the requirements set out in the Model Code during the six months ended 30 June 2021.

Review of Interim Report 2021 and Unaudited Condensed Consolidated Financial Statements

The Interim Report 2021 of the Company including the unaudited condensed consolidated financial statements of the Company for the six months ended 30 June 2021 has been reviewed by the audit committee of the Company. The unaudited condensed consolidated financial statements of the Company for the six months ended 30 June 2021 have also been reviewed by Deloitte Touche Tohmatsu, the Company's independent auditor, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the 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

26 August 2021

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 18 to 46, which comprise the condensed consolidated statement of financial position as of 30 June 2021 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 2021

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2021

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Loss for the period	(21,531)	(111,336)
Other comprehensive income (expense):		
<i>Item that will not be reclassified to profit or loss:</i>		
Fair value loss on investment in equity instruments designated at fair value through other comprehensive income	—	(144)
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of foreign operations	495	(941)
Other comprehensive income (expense) for the period	495	(1,085)
Total comprehensive expense for the period	(21,036)	(112,421)
Total comprehensive expense for the period attributable to:		
— owners of the Company	(20,244)	(110,504)
— non-controlling interests	(792)	(1,917)
	(21,036)	(112,421)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021

	Notes	At 30 June 2021 HK\$'000 (unaudited)	At 31 December 2020 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	10	266,260	276,806
Right-of-use assets	10	19,882	16,419
Intangible assets		50,574	56,643
Convertible loan receivable	11	10,000	—
Interests in joint ventures	12	6,410	7,992
Other assets		6,201	4,996
Pledged bank deposits		30,759	30,341
		390,086	393,197
Current assets			
Inventories		61,517	49,856
Trade and other receivables	13	84,303	88,073
Amount due from a joint venture		153	—
Amounts due from related companies	14	370	80
Bank balances and cash		114,336	129,244
		260,679	267,253
Current liabilities			
Trade and other payables	15	64,429	66,406
Amounts due to directors	16	1,665	1,600
Amounts due to joint ventures		230	178
Taxation payable		8,688	8,830
Bank borrowings — due within one year	17	9,750	8,993
Other borrowing — due within one year	18	69	—
Lease liabilities		11,086	11,897
Contract liabilities	19	35,848	23,534
		131,765	121,438
Net current assets		128,914	145,815
Total assets less current liabilities		519,000	539,012
Non-current liabilities			
Bank borrowings — due after one year	17	124,280	128,023
Other borrowing — due after one year	18	416	—
Lease liabilities		9,281	4,930
		133,977	132,953
Net assets		385,023	406,059
Capital and reserves			
Share capital	20	1,052	1,052
Reserves		343,296	363,540
Equity attributable to owners of the Company		344,348	364,592
Non-controlling interests		40,675	41,467
		385,023	406,059

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	Attributable to owners of the Company							Total
	Share capital	Contributed surplus	Investment revaluation reserve	Translation reserve	Accumulated losses	Subtotal	Non-controlling interests	
	HK\$'000	HK\$'000 (note)	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 31 December 2020 (audited)	1,052	1,020,504	—	17,356	(674,320)	364,592	41,467	406,059
Loss for the period	—	—	—	—	(20,774)	(20,774)	(757)	(21,531)
Other comprehensive income (expense) for the period	—	—	—	530	—	530	(35)	495
Total comprehensive income (expense) for the period	—	—	—	530	(20,774)	(20,244)	(792)	(21,036)
At 30 June 2021 (unaudited)	1,052	1,020,504	—	17,886	(695,094)	344,348	40,675	385,023
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 22)	—	—	—	—	—	—	(7,110)	(7,110)
At 30 June 2020 (unaudited)	1,052	1,020,504	—	19,169	(594,614)	446,111	42,842	488,953

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Operating cash flows before movements in working capital	9,910	(52,389)
Increase in inventories	(9,673)	(6,896)
Decrease in trade and other receivables	6,051	54,828
Increase in contract liabilities	12,314	16,782
Decrease in trade and other payables	(3,609)	(47,591)
Other changes in working capital	(238)	933
Cash from (used in) operations	14,755	(34,333)
Income tax paid	(329)	(506)
Net cash from (used in) operating activities	14,426	(34,839)
Investing activities		
Subscription of convertible loan receivable	(10,000)	—
Deposits paid for acquisition of property, plant and equipment	(2,864)	(2,126)
Purchases of property, plant and equipment	(1,700)	(2,657)
Placement of pledged bank deposits	(418)	(30,305)
Acquisitions of subsidiaries	(330)	—
Advances to joint ventures	(33)	(536)
Proceeds of rental deposits refunded	55	338
Proceeds from disposal of property, plant and equipment	350	285
Interest received	806	1,674
Proceeds from disposal of investment in equity instruments designated at fair value through other comprehensive income	—	1,222
Proceeds from release of pledged bank deposit	—	28,800
Net cash used in investing activities	(14,134)	(3,305)
Financing activities		
Repayment of lease liabilities	(7,471)	(6,312)
Repayment of bank borrowings	(4,820)	(4,380)
Interest paid	(2,037)	(2,015)
Advances from directors	65	196
Net cash used in financing activities	(14,263)	(12,511)
Net decrease in cash and cash equivalents	(13,971)	(50,655)
Effect of foreign exchange rate changes	(937)	(920)
Cash and cash equivalents at 1 January	129,244	245,612
Cash and cash equivalents at 30 June, represented by		
Bank balances and cash	114,336	194,037

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

1. General Information and Basis of Preparation

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

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

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

Going concern assessment

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

The condensed consolidated financial statements have been prepared on a going concern basis. As at 30 June 2021, the Group had cash and cash equivalents of HK\$114,336,000 and net current assets of HK\$128,914,000. The Group has prepared a cash flow forecast which involves judgments and estimations based upon management’s input of key variables and market conditions including the future global economic conditions, increased competition, the regulatory environment and the growth rates of the gaming markets of Macau and other jurisdictions. The cash flow forecast has been determined using estimations of future cash flows based upon projected income and expenses of the business and working capital needs for a period of not less than twelve months from 30 June 2021. The Group believes it has sufficient liquidity based upon cash on hand and the expected cash to be generated from operations to meet its financial obligations as they fall due for the following twelve months from 30 June 2021.

2. Significant Accounting Policies

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

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

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

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2021 for the preparation of the Group’s condensed consolidated financial statements:

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

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

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

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

The Group has benefited from waiver of certain lease payments on several leases in office premises during the current period. The Group has derecognised the part of lease liabilities that has been extinguished by the forgiveness of lease payments using the discount rates originally applied to these leases, respectively, resulting in a decrease in the lease liabilities of HK\$433,000, which has been recognised as negative variable lease payments in profit or loss for the current period.

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

2. Significant Accounting Policies (Continued)

Application of accounting policies in respect of business combinations and financial assets at fair value through profit or loss (“FVTPL”)

Business combinations

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

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date;
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard; and
- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

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

2. Significant Accounting Policies (Continued)

Application of accounting policies in respect of business combinations and financial assets at FVTPL (Continued)

Business combinations (Continued)

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

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

Financial assets

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or fair value through other comprehensive income (“FVTOCI”) or designated as FVTOCI are measured at FVTPL.

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

3. Revenue

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

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

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 and royalty income

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

Information regarding the above segments is reported below:

For the six months ended 30 June 2021 (unaudited)

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

4. Segment Information (Continued)

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	5,441	2,970	17	8,428
Amortisation of intangible assets	6,069	—	—	6,069
Depreciation of property, plant and equipment	22,167	4,970	450	27,587
Depreciation of right-of-use assets	2,318	1,702	2,292	6,312
Loss (gain) on disposal/write-off of property, plant and equipment	9,652	56	(2)	9,706
Impairment loss in respect of property, plant and equipment	5,000	—	—	5,000
Write-down of inventories	—	4,250	—	4,250

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

5. Finance Costs

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

6. Loss Before Taxation

	Six months ended 30 June	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Loss before taxation has been arrived at after charging:		
Directors' emoluments	8,165	13,221
Cost of inventories recognised as expenses (included in cost of sales and services)	2,282	3,401
Depreciation of property, plant and equipment	15,160	27,587
Depreciation of right-of-use assets	7,726	6,312
Short-term lease rentals in respect of rented premises	9,504	10,668
Variable lease rentals in respect of rented premises which are not included in lease liabilities	11,138	9,082
Commission expenses for casino management services (included in marketing, selling and distribution costs)	17,433	14,130
Research and development expenditure (note i) (included in operating and administrative expenses)	37,045	45,056
Loss on disposal/write-off of property, plant and equipment (included in other income, gains and losses)	—	9,706
Impairment loss in respect of property, plant and equipment (included in other income, gains and losses)	—	5,000
Write-down of inventories (included in cost of sales and services)	—	4,250
and after crediting:		
Net gain on acquisitions of subsidiaries (included in other income, gains and losses) (note 21)	3,252	—
Gain on early termination of lease contracts	129	—
Covid-19-related rent concessions (note ii)	433	—
Interest income from convertible loan receivable	120	—
Procurement service income (note iii) (included in other income, gains and losses)	—	43,365

6. Loss Before Taxation (Continued)

Notes:

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

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

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

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

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

7. Taxation

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

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

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

Pursuant to the letters issued by the Financial Services Bureau of the Macau government dated 15 August 2017 and 28 October 2020, the revenue generated from the service agreement signed between LT (Macau) Limited ("LT Macau"), a wholly-owned subsidiary of the Company incorporated in Macau, and SJM Resorts, Limited (formerly known as Sociedade de Jogos de Macau, S.A., "SJM Resorts") is not subject to Macau CT for the period from 1 January 2017 to 31 March 2020 and for the period from 1 April 2020 to 26 June 2022, respectively, since it is derived from SJM Resorts' gaming revenue, for which gaming revenue is exempted from Macau CT pursuant to the terms of no. 2 of article 28 of the Law 16/2001 and the exemption granted by Despatch no. 378/2011 of 23 November 2011.

7. Taxation (Continued)

Pursuant to the letters issued by the Financial Services Bureau of the Macau government dated 15 August 2017 and 28 October 2020, LT Macau is obligated to pay an annual lump sum dividend withholding tax of (i) Macau Pataca ("MOP") 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; and (ii) MOP291,000 (equivalent to HK\$283,000) for the period from 1 April 2020 to 31 December 2020, MOP388,000 (equivalent to HK\$377,000) for the period from 1 January 2021 to 31 December 2021 and MOP190,000 (equivalent to HK\$184,000) for the period from 1 January 2022 to 26 June 2022, respectively, as payment in lieu of Macau CT otherwise due by the shareholders of LT Macau on dividend distributions from gaming profits generated in relation to the operation of the casino at Casino Kam Pek Paradise. These annual lump sum tax payments are required regardless of whether dividends were actually distributed or whether LT Macau had distributable profits in the relevant years. For the six months ended 30 June 2021, provision for taxation of HK\$188,000 (six months ended 30 June 2020: HK\$189,000) has been recognised which was charged to the condensed consolidated statement of profit or loss.

PRC Enterprise Income Tax for operating subsidiaries established in the PRC was calculated at the PRC Enterprise Income Tax rate of 25% prevailing in the PRC on the assessable profit for the six months ended 30 June 2020. No provision for PRC Enterprise Income Tax was made in the condensed consolidated financial statements for the six months ended 30 June 2021 as the Group did not generate any assessable profit for that period. Taxation for overseas subsidiaries, except for those incorporated in Macau and the PRC, are charged at the appropriate current rate of taxation ruling in the relevant countries.

8. Dividend

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

9. Loss Per Share

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

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

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

10. Property, Plant and Equipment/Right-of-Use Assets

	At 30 June 2021 HK\$'000 (unaudited)	At 31 December 2020 HK\$'000 (audited)
Property, plant and equipment		
<i>Carrying values</i>		
Leasehold land and buildings	211,045	214,748
Leasehold improvements	9,479	9,601
Plant and machinery	37,059	42,881
Furniture, fixtures and office equipment	5,332	5,486
Motor vehicles	3,345	4,090
Total	266,260	276,806

During the six months ended 30 June 2021, the Group incurred HK\$5,427,000 (six months ended 30 June 2020: HK\$2,965,000) on acquisition of property, plant and equipment.

During the six months ended 30 June 2021, the Group entered into new lease agreements for the use of properties in the PRC and Macau for 2 to 4 years (six months ended 30 June 2020: 2 to 3 years). The Group is required to make fixed monthly payments. On lease commencement, the Group recognised HK\$9,875,000 (six months ended 30 June 2020: HK\$5,463,000) of right-of-use assets and HK\$9,875,000 (six months ended 30 June 2020: HK\$5,463,000) of lease liabilities.

11. Convertible Loan Receivable

On 1 May 2021, Tong Sin Catering And Import & Export Group Company Limited ("Tong Sin"), an indirect wholly-owned subsidiary of the Company, agreed to subscribe for an unlisted convertible loan (the "Convertible Loan") issued by Shuang Zuan Management Restaurant Company Limited ("Shuang Zuan"), a joint venture of Tong Sin, at a principal amount of HK\$10,000,000. The Convertible Loan carries interest at 7.2% per annum payable quarterly in arrears with maturity at two years after the date of issue (the "Maturity Date").

The Convertible Loan entitles Shuang Zuan, the issuer, to redeem the whole or part of the principal amount at any time between six months after the issuance of the Convertible Loan and the Maturity Date. The Convertible Loan also entitles Tong Sin, the holder, to convert the principal amount by proportion to percentage of the principal over the total amounts of paid-up capital and outstanding shareholder loans to Shuang Zuan at the Maturity Date. The subscription of the Convertible Loan was completed and the Convertible Loan was issued to Tong Sin on 1 May 2021.

The fair value of the Group's convertible loan receivable as at 30 June 2021 has been assessed with reference to a valuation carried out by an independent qualified professional valuer. There is no material change in the fair value since the subscription date of 1 May 2021 to 30 June 2021.

12. Interests in Joint Ventures

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

	At 30 June 2021 HK\$'000 (unaudited)	At 31 December 2020 HK\$'000 (audited)
Cost of investments in joint ventures	—	24
Share of post-acquisition losses	—	(20)
	—	4
Amounts due from joint ventures	10,032	14,465
Less: share of post-acquisition losses that are in excess of the cost of the investments	(3,622)	(6,477)
	6,410	7,992

Movements in investments in joint ventures are as below:

	At 30 June 2021 HK\$'000 (unaudited)	At 31 December 2020 HK\$'000 (audited)
At 1 January	7,992	3,540
Reduction on acquisitions of additional equity interests in joint ventures which become subsidiaries (note 21)	(7,992)	—
Addition from acquisitions of subsidiaries (note 21)	10,032	—
Share of post-tax losses	(3,622)	(4,348)
Addition	—	8,800
At 30 June/31 December	6,410	7,992

As at 30 June 2021, amount due from a joint venture of HK\$10,032,000 (31 December 2020: amounts due from joint ventures of HK\$14,465,000) before share of losses of the joint venture(s) are considered as part of the long-term interest that, in substance, form part of the Group's investment in the joint venture(s). The amounts due from joint ventures are unsecured, interest-free, and have no fixed terms of repayment.

12. Interests in Joint Ventures (Continued)

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

Name of entity	Place of incorporation/ registration	Principal place of business	Proportion of ownership interests and voting rights held by the Group		Principal activities
			At 30 June 2021	At 31 December 2020	
Shuang Zuan	Macau	Macau	50%	N/A	Management and operation of food and beverage businesses in Macau
Tong Sin	Macau	Macau	N/A (note (ii))	50%	Note (i)
Bigger A Import And Export Trade Limited ("Bigger A")	Macau	Macau	N/A (note (ii))	50%	Inactive

Notes:

- (i) Business of importing, exporting and sale of frozen food products and packaged meats; and investment of 50% equity interest in Shuang Zuan.
- (ii) On 11 January 2021, the Group further acquired the remaining 50% equity interests in both Tong Sin and Bigger A. Since then, Tong Sin and Bigger A have become indirect wholly-owned subsidiaries of the Company.

12. Interests in Joint Ventures (Continued)

The summarised financial information below represents amounts shown in the joint ventures' financial statements prepared in accordance with HKFRS.

	At 30 June 2021 HK\$'000 (unaudited)	At 31 December 2020 HK\$'000 (audited)
Current assets	7,998	4,092
Non-current assets	61,375	18,745
Current liabilities	52,420	30,492
Non-current liabilities	37,035	5,291
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	6,780	1,168
Current financial liabilities (excluding trade and other payables and provisions)	39,497	26,414
Non-current financial liabilities (excluding trade and other payables and provisions)	—	1,637
	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Revenue	8,401	1,666
Loss for the period	7,244	1,246

12. Interests in Joint Ventures (Continued)

Reconciliation of the above summarised financial information to the carrying amount of the interests in joint ventures recognised in the condensed consolidated financial statements is as follows:

	At 30 June 2021 HK\$'000 (unaudited)	At 31 December 2020 HK\$'000 (audited)
Net liabilities of joint ventures	(20,082)	(12,946)
Proportion of the Group's ownership interests in joint ventures	50%	50%
	(10,041)	(6,473)
Amounts due from joint ventures	10,032	14,465
Add: Adjustment of pre-acquisition losses	6,419	—
	6,410	7,992

13. Trade and Other Receivables

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

13. Trade and Other Receivables (Continued)

Notes:

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

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

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

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

As at 30 June 2021, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK\$7,077,000 (31 December 2020: HK\$1,792,000) which are past due as at the reporting date. Out of the past due balances, HK\$41,000 (31 December 2020: HK\$59,000) 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 2021, 80% (31 December 2020: 95%) 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.

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

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

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

14. Amounts Due from Related Companies

The amounts due from related companies are trade in nature, aged within 0 to 30 days based on invoice date, unsecured and interest-free. The balance is neither past due nor impaired at the end of the reporting period.

15. Trade and Other Payables

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

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

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

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

16. Amounts Due to Directors

As at 30 June 2021, the amounts are unsecured, interest-free and repayable on demand.

17. Bank Borrowings

	At 30 June 2021 HK\$'000 (unaudited)	At 31 December 2020 HK\$'000 (audited)
Secured bank mortgage loans (note (i))	132,520	137,016
Unsecured bank loan (note (ii))	1,510	—
Bank borrowings	134,030	137,016

The bank borrowings are repayable as follows*:

Within one year	9,750	8,993
Within a period of more than one year but not exceeding two years	9,974	9,214
Within a period of more than two years but not exceeding five years	29,593	29,021
Within a period of more than five years	84,713	89,788
	134,030	137,016
Less: Amounts due within one year shown under current liabilities	(9,750)	(8,993)
Amounts due after one year shown under non-current liabilities	124,280	128,023

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

Notes:

(i) At 30 June 2021, the bank mortgage loans carried interest at the Lending Prime Rate ("Prime rate") as quoted by the lending banks from time to time minus 2.85% (31 December 2020: Prime rate minus 2.85%) per annum. The effective interest rate of the bank borrowings was 2.4% (31 December 2020: 2.4%) per annum.

At 30 June 2021, the bank borrowings were secured by mortgages over the Group's leasehold land and buildings with an aggregate carrying amount of HK\$211,045,000 (31 December 2020: HK\$214,748,000). The bank borrowings are denominated in MOP and HK\$.

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

18. Other Borrowing

	At 30 June 2021 HK\$'000 (unaudited)	At 31 December 2020 HK\$'000 (audited)
Unsecured other borrowing	485	—
The other borrowing is repayable as follows*:		
Within one year	69	—
Within a period of more than one year but not exceeding two years	277	—
Within a period of more than two years but not exceeding five years	139	—
	485	—
Less: Amounts due within one year shown under current liabilities	(69)	—
	416	—

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

As at 30 June 2021, the unsecured other borrowing was interest-free.

19. Contract Liabilities

Contract liabilities comprise deposits received from customers in relation to the sale of electronic gaming equipment and systems which are recognised when the goods are approved by the local regulatory authority, delivered, on-site installation is satisfied as per terms of relevant sale contracts and titles have been passed. As at 30 June 2021, the amount of HK\$35,848,000 (31 December 2020: HK\$23,534,000) will be recognised as revenue when the Group performs its obligations under the contracts which are expected to be completed within one year from the end of the reporting period. As at 30 June 2021, the increase in contract liabilities is due to more deposits from customers before the Group satisfies the performance obligations. As at 1 January 2020, the contract liabilities amounted to HK\$9,846,000 which was fully recognised as revenue during the year ended 31 December 2020.

20. Share Capital

	Number of shares '000	Share capital HK\$'000
Ordinary shares of HK\$0.001 each		
Authorised:		
At 31 December 2019 (audited), 31 December 2020 (audited) and 30 June 2021 (unaudited)	1,000,000,000	1,000,000
Issued and fully paid:		
At 31 December 2019 (audited), 31 December 2020 (audited) and 30 June 2021 (unaudited)	1,052,185	1,052

21. Acquisitions of Subsidiaries

On 8 May 2019, the Group acquired a 50% equity interest in Tong Sin and a 50% equity interest in Bigger A for the consideration of MOP12,500 (equivalent to approximately HK\$12,000) per entity. The entities were classified as joint ventures under "Interests in joint ventures" as the Group has joint control over each of Tong Sin and Bigger A with other parties.

(a) Acquisition of Tong Sin

On 11 January 2021, the Group acquired the remaining 50% equity interest in Tong Sin from an independent third party for cash consideration of HK\$1,500,000. Upon completion of the acquisition, Tong Sin becomes an indirect wholly-owned subsidiary of the Company.

The fair value of the Group's then effective equity holding immediately in Tong Sin before the completion of the acquisition formed part of the total consideration of the acquisition and was included in the calculation of gain on acquisition of a subsidiary.

21. Acquisitions of Subsidiaries (Continued)

(a) Acquisition of Tong Sin (Continued)

The fair value of the 50% equity interest in Tong Sin previously held by the Group prior to the completion of the acquisition was estimated to approximate the carrying amount as at the acquisition date.

The gain arising from the acquisition of Tong Sin of HK\$3,260,000 is mainly attributable to the assignment of shareholder's loan of Tong Sin to the Group when the other shareholder of Tong Sin disposed of the interest to the Group.

The following table summarises the consideration paid by the Group for remaining 50% equity interest in Tong Sin:

	HK\$'000
Cash paid during the six months ended 30 June 2021	1,500
Fair value of equity interest in Tong Sin previously held by the Group	7,987
Total consideration	9,487

Fair value of assets and liabilities recognised at the date of acquisition was as follows:

	HK\$'000
Property, plant and equipment	2,897
Amount due from a joint venture	10,032
Right-of-use assets	5,652
Inventories	1,471
Trade and other receivables	1,577
Bank balances and cash	1,168
Trade and other payables	(1,942)
Lease liabilities	(5,789)
Bank and other borrowings	(2,319)
Net assets	12,747

Gain on acquisition:

	HK\$'000
Total consideration	9,487
Less: net assets acquired	(12,747)
	(3,260)

21. Acquisitions of Subsidiaries (Continued)

(a) Acquisition of Tong Sin (Continued)

Note:

Net cash outflows arising on the acquisition:

	HK\$'000
Consideration paid in cash	1,500
Less: Cash and cash equivalent balances acquired	(1,168)
	<u>332</u>

Revenue and loss contribution:

The acquired business contributed revenue of HK\$1,929,000 and net loss of HK\$1,593,000 to the Group for the period from 11 January 2021 to 30 June 2021.

The revenue and the results contributed by Tong Sin to the Group for the period from 1 January 2021 to the acquisition date of 11 January 2021 were insignificant, therefore there would be negligible difference if the acquisition had occurred on 1 January 2021 for consolidated revenue and consolidated loss after taxation of the Group for the six months ended 30 June 2021 would have been presented in the condensed consolidated financial statements.

(b) Acquisition of Bigger A

On 11 January 2021, the Group acquired the remaining 50% equity interest in Bigger A from independent third parties, at nil consideration. Upon completion of the acquisition, Bigger A has become an indirect wholly-owned subsidiary of the Company. The fair value of assets and liabilities recognised at the date of acquisition was insignificant and the net cash inflows arising on acquisition was HK\$2,000 for the six months ended 30 June 2021.

The revenue and the results contributed by Bigger A to the Group for the period from 1 January 2021 to the acquisition date of 11 January 2021 and the period from 11 January 2021 to 30 June 2021 were insignificant.

22. 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 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 13(iii). No such transaction occurred during the six months ended 30 June 2021.

During the six months ended 30 June 2020, property, plant and equipment of HK\$543,000 were transferred from inventories. No such transaction occurred during the six months ended 30 June 2021.

23. Capital Commitments

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

24. Fair Value Measurements of Financial Instruments

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

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

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

Fair value of the convertible loan receivable that is measured at fair value as at 30 June 2021 on a recurring basis is as follows:

Financial asset	Fair value HK\$'000	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Sensitivity/relationship of unobservable inputs to fair value
Financial asset at FVTPL: Convertible loan receivable	10,000 (31 December 2020: N/A)	Level 3	Discounted cash flow model and binomial option pricing model with discount rate as the key input	Discount rate at 7.8% per annum (31 December 2020: N/A)	Increase in discount rate would result in decrease in fair value of the convertible loan receivable, and vice versa

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

25. 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	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Sale of electronic gaming equipment and systems (note i)	1,036	208
Leasing of electronic gaming equipment and systems (note i)	1,600	—
Consultancy fee (note ii)	180	180
Staff costs (note iii)	1,831	2,373
Sale of frozen food and products (note iv)	146	—
Purchase of frozen food and products (note iv)	—	140
Rental income (note iv)	—	245
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. The transactions were charged at pre-determined amounts agreed between the parties involved.
- (ii) The related party is the brother-in-law of Mr. Jay Chun, an Executive Director. The transactions were charged at pre-determined amounts agreed between the parties involved.
- (iii) The related party is the spouse of Mr. Jay Chun, an Executive Director. The transactions were charged at pre-determined amounts agreed between the parties involved.
- (iv) The related 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.

DEFINITIONS

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

“Adjusted EBITDA”	the Group’s profit or loss for the period before interest income, finance costs, taxation, depreciation of property, plant and equipment, impairment loss in respect of property, plant and equipment, gain or loss on disposal/write-off of property, plant and equipment, depreciation on right-of-use assets, gain on early termination of lease contracts, amortisation of intangible assets, gain or loss on acquisition of subsidiaries and costs incurred or associated with corporate exercises or potential projects, where applicable
“AI”	artificial intelligence
“Annual Report 2020”	the annual report of the Company dated 25 March 2021 for the year ended 31 December 2020
“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”
“independent third party(ies)”	third party(ies) independent of and not connected to the Company and any of its connected persons or any of their respective associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“LMG”	live multi game
“Macau”	the Macao Special Administrative Region of the PRC
“Model Code”	the Model Code for Securities Transaction by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
“MOP”	Macau Pataca, the lawful currency of Macau
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Share(s)”	ordinary share(s) of HK\$0.001 each in the share capital of the Company
“Share Award Scheme”	the share award scheme of the Company adopted by the Company on 11 November 2019
“Share Option Scheme”	the share option scheme of the Company adopted by the Company at the annual general meeting held on 25 May 2017
“Shareholder(s)”	holder(s) of the Shares
“SJM Resorts”	SJM Resorts, Limited (formerly known as Sociedade de Jogos de Macau, S.A.), one of the three concessionaires for operation of casinos in Macau
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Trustee”	the trustee appointed by the Company in connection with the Share Award Scheme
“US\$”	the United States dollars, the lawful currency of the United States of America
“%”	per cent