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## PARADISE ENTERTAINMENT LIMITED

滙彩控股有限公司\*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1180)

### ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

#### RESULTS

The Board announces the audited consolidated annual results of the Group for the year ended 31 December 2021 as follows:

#### CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2021

	Notes	2021 HK\$'000	2020 HK\$'000
Revenue	4	494,126	351,739
Cost of sales and services		<u>(304,190)</u>	<u>(337,153)</u>
Gross profit		189,936	14,586
Other income, gains and losses		5,452	58,743
Marketing, selling and distribution costs		(67,533)	(60,733)
Operating and administrative expenses		(191,125)	(181,861)
Amortisation of intangible assets		(12,138)	(12,138)
Finance costs	6	(3,999)	(3,958)
Share of losses of joint ventures		<u>(8,585)</u>	<u>(4,348)</u>
Loss before taxation	7	(87,992)	(189,709)
Taxation	8	<u>(375)</u>	<u>(2,402)</u>
Loss for the year		<u><u>(88,367)</u></u>	<u><u>(192,111)</u></u>
Loss for the year attributable to:			
— Owners of the Company		(86,115)	(189,152)
— Non-controlling interests		<u>(2,252)</u>	<u>(2,959)</u>
		<u><u>(88,367)</u></u>	<u><u>(192,111)</u></u>
Basic loss per Share	10	<u><u>HK(8.2) cents</u></u>	<u><u>HK(18.0) cents</u></u>

\* For identification purposes only

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Loss for the year	<u>(88,367)</u>	<u>(192,111)</u>
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	<u>1,335</u>	<u>(3,060)</u>
Other comprehensive income (expense) for the year	<u>1,335</u>	<u>(3,204)</u>
Total comprehensive expense for the year	<u>(87,032)</u>	<u>(195,315)</u>
Total comprehensive expense for the year attributable to:		
— Owners of the Company	(84,696)	(192,023)
— Non-controlling interests	<u>(2,336)</u>	<u>(3,292)</u>
	<u>(87,032)</u>	<u>(195,315)</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		261,670	276,806
Right-of-use assets		19,066	16,419
Intangible assets		44,505	56,643
Convertible loan		347	—
Interests in joint ventures		—	7,992
Other assets		6,132	4,996
Pledged bank deposits		<u>30,748</u>	<u>30,341</u>
		<u>362,468</u>	<u>393,197</u>
<b>Current assets</b>			
Inventories		49,177	49,856
Trade and other receivables	11	74,520	88,073
Amount due from a related company		1,052	80
Bank balances and cash		<u>64,043</u>	<u>129,244</u>
		<u>188,792</u>	<u>267,253</u>
<b>Current liabilities</b>			
Trade and other payables	12	59,425	66,406
Amounts due to Directors		1,740	1,600
Amounts due to joint ventures		278	178
Taxation payable		8,877	8,830
Bank borrowings — due within one year		9,863	8,993
Other borrowing — due within one year		69	—
Lease liabilities		10,256	11,897
Contract liabilities		<u>10,912</u>	<u>23,534</u>
		<u>101,420</u>	<u>121,438</u>
<b>Net current assets</b>		<u>87,372</u>	<u>145,815</u>
<b>Total assets less current liabilities</b>		<u>449,840</u>	<u>539,012</u>
<b>Non-current liabilities</b>			
Bank borrowings — due after one year		119,302	128,023
Other borrowing — due after one year		381	—
Lease liabilities		<u>11,130</u>	<u>4,930</u>
		<u>130,813</u>	<u>132,953</u>
<b>Net assets</b>		<u>319,027</u>	<u>406,059</u>
<b>Capital and reserves</b>			
Share capital		1,052	1,052
Reserves		<u>278,844</u>	<u>363,540</u>
Equity attributable to owners of the Company		279,896	364,592
Non-controlling interests		<u>39,131</u>	<u>41,467</u>
		<u>319,027</u>	<u>406,059</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. GENERAL INFORMATION

The Company was incorporated in Bermuda as an exempted company with limited liability and its Shares are listed on the Main Board of the Stock Exchange. Its ultimate holding company is August Profit Investments Limited, a company established in the British Virgin Islands. In the opinion of the Directors, the Company's ultimate controlling party is Mr. Jay Chun, who is also an executive Director. The address of the registered office of the Company is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and principal place of business of the Company is Unit C, 19/F., Entertainment Building, 30 Queen's Road Central, Hong Kong.

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

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

### 2. BASIS OF PREPARATION

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

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

#### Going concern assessment

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

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

In preparing the cash flow forecast, the Directors have considered the reliance of concession contract between the Macau government and SJM Resorts (pursuant to which Casino Kam Pek Paradise is licensed for operation) and the existing service agreement between SJM Resorts and the Group whereby the Group provides casino management services at Casino Kam Pek Paradise and assessed the possibility of termination/non-renewal of the concession contract and/or the service agreement.

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

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

### 3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSS

#### **Amendments to HKFRSs that are mandatorily effective for the current year**

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

Amendments to HKFRS 9, HKAS 39, HKFRS 7, 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".

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

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

#### ***Impacts on early application of Amendment to HKFRS 16 "Covid-19-Related Rent Concessions beyond 30 June 2021"***

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

The application has had no impact to the opening accumulated losses at 1 January 2021.

The Group has benefited from waiver of certain lease payments on several leases in office premises during the current year. The Group has derecognised the part of lease liabilities that has been extinguished by the forgiveness of lease payments using the discount rates originally applied to these leases, respectively, resulting in a decrease in the lease liabilities of HK\$690,000, which has been recognised as negative variable lease payments in profit or loss for the current year.

### **New and amendments to HKFRSs in issue but not yet effective**

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts and the related Amendments <sup>2</sup>
Amendments to HKFRS 3	Reference to the Conceptual Framework <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>2</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies <sup>2</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>2</sup>
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>2</sup>
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use <sup>1</sup>
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract <sup>1</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020 <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2022.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2023.

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined.

Except for the amendments to HKFRSs mentioned below, the Directors anticipate that the application of the new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

### ***Amendments to HKAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”***

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

The Group applies HKAS 12 requirements to the relevant assets and liabilities separately. Temporary differences on initial recognition of the relevant assets and liabilities are not recognised due to application of the initial recognition exemption.

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

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

#### 4. REVENUE

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

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

## 5. SEGMENT INFORMATION

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

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

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

Information regarding the above segments is reported below:

### For the year ended 31 December 2021

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

For the year ended 31 December 2020

	Casino management services <i>HK\$'000</i>	Gaming systems <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment revenue	<u>326,396</u>	<u>25,343</u>		<u>351,739</u>
Segment results	<u>(126,724)</u>	<u>(84,633)</u>		(211,357)
Unallocated corporate income				60,848
Unallocated corporate expenses				(30,894)
Finance costs				(3,958)
Share of losses of joint ventures				<u>(4,348)</u>
Loss before taxation				(189,709)
Taxation				<u>(2,402)</u>
Loss for the year				<u>(192,111)</u>
Other information				
Capital expenditure	11,136	14,818	257	26,211
Amortisation of intangible assets	12,138	—	—	12,138
Depreciation of property, plant and equipment	35,701	9,734	899	46,334
Depreciation of right-of-use assets	4,683	3,992	4,595	13,270
Loss (gain) on disposal/write-off of property, plant and equipment	9,609	56	(2)	9,663
Impairment loss in respect of property, plant and equipment	5,000	—	—	5,000
Write-down of inventories	<u>—</u>	<u>6,703</u>	<u>—</u>	<u>6,703</u>

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

## Geographical information

The Group's operations are principally located in Macau and U.S.

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

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Macau	<b>480,395</b>	348,276
U.S.	<u>13,731</u>	<u>3,463</u>
	<u><b>494,126</b></u>	<u>351,739</u>

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

## 6. FINANCE COSTS

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest on:		
— bank borrowings	<b>3,240</b>	3,404
— lease liabilities	<u>759</u>	<u>554</u>
	<u><b>3,999</b></u>	<u>3,958</u>

## 7. LOSS BEFORE TAXATION

2021  
HK\$'000

2020  
HK\$'000

Loss before taxation has been arrived at after charging:

Directors' emoluments	16,283	21,395
Other staff costs		
— Salaries and other benefits	120,071	132,863
— Retirement benefit scheme contributions	3,254	2,225
Total staff costs	139,608	156,483
Auditor's remuneration	2,180	2,480
Cost of inventories recognised as expenses (included in cost of sales and services and operating and administrative expenses)	26,069	9,001
Depreciation of property, plant and equipment	29,203	46,334
Depreciation of right-of-use assets	14,923	13,270
Commission expenses for casino management services (included in marketing, selling and distribution costs)	31,510	27,797
Impairment loss in respect of amount due from a joint venture (included in other income, gains and losses)	1,891	—
Impairment loss in respect of property, plant and equipment (included in other income, gains and losses)	—	5,000
Loss on disposal/write-off of property, plant and equipment (included in other income, gains and losses)	89	9,663
Research and development expenditure ( <i>note</i> ) (included in operating and administrative expenses)	69,656	83,152
Loss from change in fair value of convertible loan (included in other income, gains and losses)	9,653	—
Write-down of inventories (included in cost of sales and services)	420	6,703
Unrealised exchange loss (included in other income, gains and losses)	1,644	—

and after crediting:

Unrealised exchange gain (included in other income, gains and losses)	—	5,658
Covid-19-related rent concessions	690	659

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

## 8. TAXATION

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Macau Complementary Tax		
— current year	—	2,000
— (overprovision) underprovision in respect of prior years	<u>(1)</u>	<u>48</u>
	<u>(1)</u>	<u>2,048</u>
Lump Sum Dividend Tax	<u>376</u>	<u>377</u>
PRC Enterprise Income Tax		
— current year	—	11
— overprovision in respect of prior years	<u>—</u>	<u>(34)</u>
	<u>—</u>	<u>(23)</u>
Taxation charge	<u><u>375</u></u>	<u><u>2,402</u></u>

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

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

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

Pursuant to the letters issued by the Financial Services Bureau of the Macau government dated 15 August 2017 and 28 October 2020, LT Macau is obligated to pay an annual lump sum dividend withholding tax of (i) 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\$376,000) for the period from 1 January 2021 to 31 December 2021 and MOP190,000 (equivalent to HK\$184,000) for the period from 1 January 2022 to 26 June 2022, respectively, as payment in lieu of Macau CT otherwise due by the shareholders of LT Macau on dividend distributions from gaming profits generated in relation to the operation of the casino at Casino Kam Pek Paradise. These annual lump sum tax payments are required regardless of whether dividends were actually distributed or whether LT Macau had distributable profits in the relevant periods. For the year ended 31 December 2021, provision for taxation of HK\$376,000 (2020: HK\$377,000) has been recognised which was charged to the consolidated statement of profit or loss.

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

## 9. DIVIDEND

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

## 10. LOSS PER SHARE

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Loss</b>		
Loss for the year attributable to owners of the Company for the purposes of calculating basic loss per Share	<u>(86,115)</u>	<u>(189,152)</u>

2021 '000	2020 '000
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### Number of Shares

Weighted average number of Shares for the purposes of calculating basic loss per Share	<u>1,052,185</u>	<u>1,052,185</u>
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For the years ended 31 December 2021 and 31 December 2020, no diluted loss per Share were presented as there were no dilutive potential ordinary shares.

## 11. TRADE AND OTHER RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables ( <i>note i</i> )	26,518	35,183
Chips on hand ( <i>note ii</i> )	10,612	13,529
Deposits paid	16,866	18,690
Loan receivable ( <i>note iii</i> )	7,799	7,799
Other receivables	5,763	4,062
Prepayments	<u>6,962</u>	<u>8,810</u>
	<u>74,520</u>	<u>88,073</u>

*Notes:*

- (i) As at 1 January 2020, the carrying amount of trade receivables from contracts with customers was HK\$57,155,000.

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

As at 31 December 2021, trade receivables of HK\$26,518,000 (2020: HK\$35,183,000) comprised receivables from contracts with customers and lease receivables of HK\$26,479,000 (2020: HK\$33,943,000) and HK\$39,000 (2020: HK\$1,240,000), respectively.

Before accepting any new customer, the Group gathers and assesses the credit information of the potential customer in considering the customer's quality and determining the credit limits for that customer. Recoverability and credit limits of the existing customers are reviewed by the Group regularly. At the end of the reporting period, included in the Group's trade receivable balances are receivables with aggregate carrying amount of HK\$24,683,000 (2020: HK\$33,391,000), which are not past due. The Directors 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 operators and customers.

As at 31 December 2021, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK\$1,835,000 (2020: HK\$1,792,000) which are past due as at the reporting date. Out of the past due balances at 31 December 2020, HK\$59,000 was past due 90 days or more and was not considered as in default based on historical repayment pattern from the specific debtors. The Group does not hold any collateral over these balances.

As at 31 December 2021, 93.1% (2020: 95.0%) of the trade receivables that are not credit-impaired have the best credit scoring attributable under the internal credit scoring system used by the Group.

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:

	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
Age:		
0–30 days	<b>24,683</b>	33,391
31–60 days	<b>5</b>	330
61–90 days	<b>1,830</b>	1,403
91–180 days	—	26
181–365 days	—	33
	<b>26,518</b>	35,183

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

(iii) The amount represented a loan granted by the Group to a third party (the “Borrower”) which is a company incorporated in Japan and principally engaged in the development and manufacture of gaming products. The loan is unsecured, bears interest at the rate of 8% per annum and is guaranteed by a director of an indirect non-wholly owned subsidiary of the Company who also holds an 18% shareholding in this non-wholly owned subsidiary. The maturity date of the outstanding loan principal and accrued interest is 5 October 2022 (2020: 5 October 2021). At 31 December 2021, an amount of the interest receivable of HK\$988,000 (2020: HK\$365,000) accrued from the loan was included in other receivables.

## 12. TRADE AND OTHER PAYABLES

	2021 <i>HK\$’000</i>	2020 <i>HK\$’000</i>
Trade payables	4,536	5,604
Accrued staff costs	21,361	24,375
Accrued promotional expenses	14,444	18,105
Deposits received	680	915
Payable for acquisition of property, plant and equipment	5,369	6,217
Other sundry payables	9,399	7,170
Other accrued expenses	<u>3,636</u>	<u>4,020</u>
	<u><u>59,425</u></u>	<u><u>66,406</u></u>

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

	2021 <i>HK\$’000</i>	2020 <i>HK\$’000</i>
Age:		
0-30 days	3,113	3,995
31-60 days	97	89
61-90 days	49	31
91-365 days	325	729
Over 365 days	<u>952</u>	<u>760</u>
	<u><u>4,536</u></u>	<u><u>5,604</u></u>

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

## 13. CAPITAL COMMITMENTS

	2021 <i>HK\$’000</i>	2020 <i>HK\$’000</i>
Capital expenditure in respect of property, plant and equipment contracted for but not provided for in the consolidated financial statements	<u><u>4,796</u></u>	<u><u>1,146</u></u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business and Financial Review

#### *Overview of Results*

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

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

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

\* *Leasing revenue in Macau for the years ended 31 December 2021 and 31 December 2020 did not include the intercompany revenue derived from the LMG terminals deployed at the casinos under the Group's management amounting to HK\$86.0 million (2020: HK\$70.1 million) which was included in the reported revenue of respective casinos under the Group's management in the above table.*

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

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

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

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

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

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

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

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

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

### *Provision of Casino Management Services*

The following table sets out the average numbers of gaming tables, LMG terminals and slot machines in operation for the provision of casino management services by the Group for the years ended 31 December 2021 and 31 December 2020:

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

\* *The Group ceased to provide casino management services in Casino Waldo since 1 March 2020. The numbers shown in the above table for Casino Waldo for the year ended 31 December 2020 were for the period from 1 January 2020 to 29 February 2020.*

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

The following table sets out certain key operational data of gaming tables, LMG terminals and slot machines deployed in the casinos under the Group's management for the years ended 31 December 2021 and 31 December 2020:

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

\* The Group ceased to provide casino management services in Casino Waldo since 1 March 2020. The numbers shown in the above table for Casino Waldo for the year ended 31 December 2020 were for the period from 1 January 2020 to 29 February 2020.

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

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

	<b>2021</b>	2020
	<i>HK\$ million</i>	<i>HK\$ million</i>
Casino Kam Pek Paradise:		
Traditional gaming tables	<b>187.8</b>	125.3
LMG gaming tables	<b>214.9</b>	167.3
Slot machines	<b>13.0</b>	10.5
	<b>415.7</b>	303.1
Casino Waldo*:		
Traditional gaming tables	—	15.3
LMG gaming tables	—	7.8
Slot machines	—	0.2
	—	23.3
	<b>415.7</b>	326.4

\* The Group ceased to provide casino management services in Casino Waldo since 1 March 2020. The revenue contributed by Casino Waldo as shown in the above table for the year ended 31 December 2020 was generated during the period from 1 January 2020 to 29 February 2020.

Total revenue attributable to the Group generated by Casino Kam Pek Paradise for the year ended 31 December 2021 was HK\$415.7 million, representing an increase of 37.1% over that of HK\$303.1 million for the year ended 31 December 2020. For the year ended 31 December 2020, Casino Waldo contributed a total revenue of HK\$23.3 million to the Group.

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

#### *Sale/Leasing of Electronic Gaming Equipment and Systems in Macau*

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

### *Sale/Leasing of Electronic Gaming Equipment and Systems Overseas*

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

### *Royalty Income from IGT*

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

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

### **Acquisitions of Subsidiaries**

On 11 January 2021, the Group acquired the remaining 50% equity interests in Tong Sin Catering And Import & Export Group Company Limited (“Tong Sin”) and Bigger A Import And Export Trade Limited (“Bigger A”) from independent third parties at a total cash consideration of HK\$1.5 million. Tong Sin is principally engaged in the business of importing, exporting and sale of frozen food products and packaged meats, and the investment of 50% interests in Shuang Zuan Management Restaurant Company Limited (“Shuang Zuan”), which is principally engaged in the management and operation of food and beverage businesses in Macau, while Bigger A is inactive. Based on the Directors’ knowledge, information and belief, the remaining 50% equity interests in Shuang Zuan are held by independent third parties. Upon completion of the acquisitions on 11 January 2021, Tong Sin and Bigger A have become indirect wholly-owned subsidiaries of the Company.

### **Subscription of Convertible Loan**

On 1 May 2021, Tong Sin, an indirect wholly-owned subsidiary of the Company, agreed to subscribe for an unlisted convertible loan (the “Convertible Loan”) issued by Shuang Zuan, a joint venture of Tong Sin, at a principal amount of HK\$10.0 million. The Convertible Loan carries interest at 7.2% per annum payable quarterly in arrears with maturity at two years after the date of issue (the “Maturity Date”). Proceed from the issuance of the Convertible Loan is to finance the purchase of property, plant and equipment and general working capital of Shuang Zuan. The Convertible Loan entitles Shuang

Zuan, the issuer, to redeem the whole or part of the principal amount at any time between six months after the issuance of the Convertible Loan and the Maturity Date. The Convertible Loan also entitles Tong Sin, the holder, to convert the principal amount by proportion to percentage of the principal over the total amounts of paid-up capital and outstanding shareholder loans to Shuang Zuan on the Maturity Date. The subscription of the Convertible Loan was completed and the Convertible Loan was issued to Tong Sin on 1 May 2021. The Group regularly monitors the business and financial performance of Shuang Zuan and expects to continue receiving interest from the Convertible Loan and Tong Sin may consider exercising the conversion option of the Convertible Loan on the Maturity Date depending on the then financial positions of Shuang Zuan and the Group.

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

### **Impact of Covid-19 on the Group's Business**

As for most enterprises globally, 2021 continued to be a year of unprecedented challenges. The Group has been affected by the Covid-19 pandemic. With the launch of mass vaccination programs in some countries since the second half of 2020, people were longing to see the light for ending this pandemic and for resuming normal life. However, the rollout of vaccination programs in some parts of the world has been slow or delayed due to various factors. New virus variants have also fueled a rise in the number of infected cases across countries and regions. For instance, Hong Kong is at present facing a severe outbreak of omicron reported cases, despite the pandemic had largely been in control beforehand. All these demonstrate that the pandemic remains fluid and fragile, lifted measures may be reintroduced if there are adverse developments to the pandemic. It is still uncertain as to how long it will take for the economy to regain its full momentum.

Under the prevalence of the pandemic, the Group has continued to adopt a prudent but proactive business strategy for the year ended 31 December 2021. The Group has taken various measures on costs control including streamlining operation and reporting departmental structure for improving efficiency, reducing marketing and promotional expenses, requesting and lobbying landlords on rent reduction, implementing family care leaves to employees, etc. We will continue to examine the Group's expenditure with a sharp focus on reducing costs and expenses by increasing operational efficiency and streamlining our business operations. We will still pay attention to identify new business opportunities in Macau and overseas markets that may appear from time to time to further improve the profitability of the Group, maintain the sustainability of its business and bring benefits to the Shareholders. However, in light of numerous uncertainties that exist in the global market, the Group will take prudent approach in future development plan.

## PROSPECTS

Although the Group is still facing unprecedented challenges arising from the subsisting and uncertain development of the Covid-19 pandemic since early 2020 which has led to the travel restrictions of tourists in many countries and regions including Macau and Hong Kong, and affected the Group's gaming business, we consider such unfavorable market conditions could be progressively relieved upon the upcoming vaccination worldwide in the future. We remain confident that the Group's business growth will continue to be propelled by our continuous innovation in the gaming equipment industry using top-notch and innovative technology to create more good gaming products that align well with casinos of mass market worldwide.

On a positive note, we are particularly pleased to see the encouraging result from the debut of our self-developed slot machines in the North American markets. These slot machines were characterised by popular games which are straight-forward, simple and perfectly suited for high denomination areas with non-progressive, standalone progressive and linked progressive options. Having received positive feedbacks, orders and reorders for the slot machines, we expect the deployment of our slot machines should progress well in these markets. Yet, to stay resilient in the evolving conditions and possibly lingering uncertainty ahead in particular the Sino-U.S. rivalry, the Group will persistently be both prudent and proactive in expanding appropriate overseas markets.

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

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

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

We expect to continue facing strong and unsteady headwinds, especially with the fluctuations of the number of infected cases due to the Covid-19 pandemic with further uncertainties as to whether other unknown new virus variants may arise thereafter. We will continue to assess the impact of the pandemic on our operation and financial performance and closely monitor our exposure to the risks and uncertainties in connection with the pandemic and will take appropriate measures as necessary to minimise the risks.

## **DIVIDEND**

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

## **BOOK CLOSURE FOR 2022 AGM**

To ascertain Shareholders’ eligibility to attend and vote at the 2022 AGM to be held on 26 May 2022, the register of members of the Company will be closed from 20 May 2022 to 26 May 2022, both days inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the 2022 AGM, all transfers of Shares accompanied by the relevant share certificates must be lodged for registration with the Company’s branch share registrar, Tricor Secretaries Limited, of Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, no later than 4:30 p.m. on 19 May 2022.

## **LIQUIDITY AND FINANCIAL RESOURCES**

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

The Group has adopted a prudent financial management approach towards its financial and treasury policies. During the year ended 31 December 2021, the Group was on track with this approach to maintain a healthy liquidity position. The Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time. The Group may utilise the balance of cash for appropriate investment in accordance with the Group's strategic direction and development.

As at 31 December 2021, the consolidated net assets of the Group amounted to HK\$319.0 million, representing a decrease of HK\$87.1 million or 21.4% from HK\$406.1 million as at 31 December 2020. The decrease in consolidated net assets of the Group was mainly due to the Group's loss of HK\$88.4 million for the year ended 31 December 2021.

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

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

The Group's pledged bank deposits of HK\$30.7 million as at 31 December 2021 comprise a fixed deposit of HK\$30.4 million (denominated in HK\$, the Group's functional currency, and placed at a Macau bank with original maturity of 12 months) and another fixed deposit of HK\$0.3 million (denominated in Australian dollars and placed at an Australian bank with original maturity of 12 months). The Group's other bank deposits and cash of HK\$64.0 million and chips on hand of HK\$10.6 million as at 31 December 2021 were mainly denominated in HK\$, MOP, RMB, and US\$. Given MOP is pegged to HK\$ and HK\$ are linked to US\$, the Group considers that the exposure to exchange rate risk is normal for its bank deposits denominated in MOP and US\$. Exchange rate of RMB against HK\$ fluctuated during the year ended 31 December 2021. For accounting purposes, the Group's bank deposits denominated in RMB were re-translated to HK\$ at the exchange rate as at 31 December 2021 which resulted in a net unrealised exchange gain of HK\$0.3 million being recognised in the Group's results for the year ended 31 December 2021 (2020: a net unrealised exchange gain of HK\$5.7 million mainly arising from the re-translation of bank deposits denominated in Euro to HK\$ at 31 December 2020).

### **Borrowing and Gearing Ratio**

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

- (i) secured and unguaranteed bank borrowings of HK\$128.0 million (2020: HK\$137.0 million);
- (ii) unsecured and unguaranteed bank borrowing of HK\$1.2 million (2020: nil);
- (iii) unsecured and unguaranteed other borrowing of HK\$0.5 million (2020: nil); and
- (iv) unsecured and unguaranteed amounts due to Directors of HK\$1.7 million (2020: HK\$1.6 million).

Other than the bank borrowing of HK\$1.2 million as at 31 December 2021 which carried interest at a fixed rate of 4.0% per annum, the Group's bank borrowings carried interest at prevailing market rates and were on floating rate basis. The Group's other borrowing was interest-free. The maturity profile of the bank and other borrowings of HK\$129.7 million as at 31 December 2021 spread over a period of more than five years, with HK\$9.9 million repayable within one year, HK\$10.1 million in the second year, HK\$30.0 million in the third to fifth years and HK\$79.7 million over five years. The amounts due to Directors of HK\$1.7 million as at 31 December 2021 were interest-free and repayable on demand. The Group's bank and other borrowings and amounts due to Directors were denominated in MOP and HK\$. Given MOP is pegged to HK\$, the Group considers that the exposure to exchange rate risk is normal for its indebtedness denominated in MOP.

The Group's gearing ratio (expressed as a percentage of total borrowings over net assets) as at 31 December 2021 was 41.2% (2020: 34.1%).

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

## **CAPITAL COMMITMENTS**

As at 31 December 2021, the Group had capital commitments in respect of acquisition of property, plant and equipment which is contracted for but not provided for of HK\$4.8 million (31 December 2020: HK\$1.1 million).

## **FOREIGN EXCHANGE EXPOSURE**

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

## **CHARGES ON GROUP ASSETS**

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

In addition, as at 31 December 2021, the Group pledged bank fixed deposits of HK\$30.7 million, comprising HK\$30.4 million and HK\$0.3 million to secure for guarantees in favour of SJM Resorts and a landlord (for fulfilment of all obligations of the related group company as tenant), respectively. The

bank deposit of HK\$30.4 million was placed at a bank as fixed deposit pledged to secure for a guarantee in the amount of HK\$45.7 million issued by the bank for the period from 15 May 2020 to 30 June 2023 in favour of SJM Resorts for the Group's fulfilment of all its obligations, in particular for reimbursement by the Group to SJM Resorts of the employees' compensation and benefits for those gaming operation employees employed by SJM Resorts who work for the casino under the management of the Group, as stipulated under the service agreement (and all related supplemental agreements) entered into between SJM Resorts and the Group for provision of casino management services by the Group to SJM Resorts.

## **CONTINGENT LIABILITIES**

As at 31 December 2021, the Group did not have any significant contingent liabilities.

## **MATERIAL ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENTS**

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

## **FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS**

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

## **EMPLOYEES AND REMUNERATION POLICY**

As at 31 December 2021, the Group had approximately 740 employees, including approximately 370 gaming operation employees who were employed by SJM Resorts to work for Casino Kam Pek Paradise under the Group's management. These gaming operation employees were paid by SJM Resorts and the Group reimbursed SJM Resorts in full for their salaries and other benefits.

Total staff costs, including Directors' emoluments, for the year ended 31 December 2021 amounted to HK\$255.2 million (2020: HK\$293.9 million), including HK\$115.6 million for gaming operation employees employed by SJM Resorts for Casino Kam Pek Paradise (2020: a total of HK\$137.4 million for gaming operation employees employed by SJM Resorts for Casino Kam Pek Paradise and by Galaxy for Casino Waldo).

The terms of employment of employees conform to normal commercial practice. The remuneration policy for the employees of the Group is principally set up by the Board and the management of the Company on the basis of the relevant employees' qualifications, competence, work performance, industry experience, relevant market trend and the Group's operating results, etc. Discretionary bonuses

are granted to employees based on merit and in accordance with industry practice. Other benefits including share options, share awards, retirement benefits, subsidised medical care, pension funds and training programmes are offered to eligible employees of the Group.

## **EVENTS AFTER THE REPORTING PERIOD**

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

Save as disclosed, there is no important event after the reporting period which is required to be disclosed.

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

In the opinion of the Board, the Company has complied with the code provisions of the CG Code set out in Appendix 14 to the Listing Rules throughout the year ended 31 December 2021 except for certain deviations disclosed below:

### **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 (updated reference since 1 January 2022: C.2.1) of the CG Code, the roles of the Chairman and chief executive officer should be separate and should not be performed by the same individual, the Board considers that the present structure provides the Group with strong and consistent leadership and allows for efficient and effective business planning and execution. Hence, the Board believes that it is in the best interest of the Shareholders that Mr. Jay Chun will continue to assume the roles of the Chairman of the Board and the Managing Director of the Company. However, the Company will review the current structure as and when it becomes appropriate in future.

### **Code Provision A.4.1**

In accordance with code provision A.4.1 of the CG Code (which has been deleted since 1 January 2022), 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 (including the existing Directors and the former Director who had been a Director during the year ended 31 December 2021), all Directors have confirmed that they had complied with the requirements set out in the Model Code during the year ended 31 December 2021.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES**

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2021.

## **UPDATE ON DIRECTORS' INFORMATION**

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

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

## **INDEPENDENT AUDITOR**

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

## **REVIEW OF AUDITED CONSOLIDATED FINANCIAL STATEMENTS BY THE AUDIT COMMITTEE**

The Audit Committee has reviewed with the management and the independent auditor of the Company the audited consolidated financial statements of the Group for the year ended 31 December 2021 and the related accounting principles and practices adopted by the Group.

## **PRELIMINARY ANNOUNCEMENT OF THE GROUP'S RESULTS**

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2021 as set out in this preliminary announcement have been agreed by the Company's auditor, Deloitte Touche Tohmatsu (the "Auditor"), to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by the Auditor in this respect did not constitute an assurance engagement in accordance with

Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by the Auditor on this preliminary announcement.

## **DEFINITIONS**

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

“2022 AGM”	the forthcoming annual general meeting of the Company to be held on 26 May 2022
“Adjusted EBITDA”	the Group’s profit or loss for the year before interest income, finance costs, taxation, depreciation of property, plant and equipment, impairment loss in respect of property, plant and equipment, gain or loss on disposal/write-off of property, plant and equipment, depreciation of right-of-use assets, impairment loss in respect of amount due from a joint venture, amortisation of intangible assets, loss from change in fair value of convertible loan and costs incurred or associated with corporate exercises or potential projects, where applicable
“Audit Committee”	the audit committee of the Company
“Board”	the board of Directors
“CG Code”	the Corporate Governance Code contained in Appendix 14 to the Listing Rules
“Company”	Paradise Entertainment Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange
“Director(s)”	the director(s) of the Company
“ETG”	electronic table game
“Euro”	Euro, the lawful currency of the member states of the European Union
“Galaxy”	Galaxy Casino, S.A., one of the three concessionaires for operation of casinos in Macau
“GGR”	gross gaming revenue, being total net win generated by all casino gaming activities combined, calculated before deduction of commissions and other expenses, if any
“Group”	the Company and its subsidiaries

“HKAS”	Hong Kong Accounting Standard
“HKFRS(s)”	Hong Kong Financial Reporting Standard(s)
“HKICPA”	Hong Kong Institute of Certified Public Accountants
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IGT”	a Nevada corporation and a subsidiary of International Game Technology PLC, which is listed on the New York Stock Exchange under the trading symbol “IGT”
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“LMG”	live multi game
“Macau”	the Macao Special Administrative Region of the PRC
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
“MOP”	Macau Pataca, the lawful currency of Macau
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of HK\$0.001 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“SJM Resorts”	SJM Resorts, Limited (formerly known as Sociedade de Jogos de Macau, S.A.), one of the three concessionaires for operation of casinos in Macau
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“U.S.”	the United States of America

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

“%” per cent

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

Hong Kong, 24 March 2022

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