ANNUAL REPORT 2015

Paradise

PARADISE ENTERTAINMENT LIMITED

滙彩控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1180)

* For identification purpose only

Contents

Corporate Information

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

PRINCIPAL REGISTRAR

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

DIRECTORS

Mr. Jay CHUN *(Chairman and Managing Director)*
Mr. SHAN Shiyong, alias, SIN Sai Yung
Mr. HU Liming
Mr. Kai-Shing TAO*
Mr. LI John Zongyang*
Ms. TANG Kiu Sam Alice*

* *Independent non-executive Directors*

COMPANY SECRETARY

Ms. HO Suet Man Stella, *CPA*

SOLICITORS

DLA PIPER HONG KONG
17th Floor, Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

AUDITORS

PAN-CHINA (H.K.) CPA LIMITED
Certified Public Accountants
11/F., Hong Kong Trade Centre
161–167 Des Voeux Road Central
Hong Kong

PRINCIPAL OFFICE

Unit C, 19/F., Entertainment Building
30 Queen's Road Central
Hong Kong

PRINCIPAL BANKERS

Wing Lung Bank Limited
Dah Sing Bank, Limited
The Hongkong and Shanghai Banking
Corporation Limited

HONG KONG SHARE REGISTRAR

Tricor Secretaries Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

BUSINESS REVIEW

In light of China's economic slowdown, which was further undermined by the unexpected depreciation of Renminbi in the past few months, the gaming industry in Macau was clouded by continuous challenges arising from the decrease in revenue of casino services. Besides, the anti-corruption campaign initiated by the Central Government of China also dragged down the number of tourists visiting Macau. As a result, revenue of the Group for the year ended 31 December 2015 decreased from HK$1,192,288,000 to HK$1,092,078,000, representing a decrease of 8.4% as compared to the year ended 31 December 2014.

Given the decrease in gross gaming revenue of the Group's casino management business, the surge in overall operating expenses, particularly the ever increasing labour costs, and the impairment loss on intangible assets in respect of patents and patent applications in the United States of America (the "U.S.") (because of sales of Live Multi Game ("LMG") terminals in Nevada were postponed due to delay in obtaining approvals from the Nevada Gaming Board, which was only obtained in late 2015), the Group turned to a loss of HK$148,913,000 for the year ended 31 December 2015 from a profit of HK$66,541,000 for the year ended 31 December 2014.

Accordingly, the adjusted EBITDA* of the Group for the year ended 31 December 2015 dropped to HK$48,177,000 as compared to HK$203,051,000 for the year ended 31 December 2014, representing a decrease of 76.3%.

Provision of Casino Services

For the year ended 31 December 2015, the revenue generated by the provision of casino services contributed 81.6% of the total revenue, as compared with 86.6% recorded in the year ended 31 December 2014.

In June 2015, the Group installed 139 slot machines at Waldo Casino, making a deployment of 172 units in total, thereby broadening the offering of the casino by providing a variety of choices to players, which was expected to bring about more revenue for the Group. Nevertheless, the increase in revenue in this respect was more or less offset by the tough market condition confronted by Macau's gaming industry.

Sales and Revenue Sharing of LMG Terminals

For the year ended 31 December 2015, the revenue generated by the sales and revenue sharing of LMG terminals contributed 18.4% of the total revenue, as compared with 13.4% for the year ended 31 December 2014.

The Group deployed 80 LMG terminals at the Grand Lisboa in Macau, bringing the LMG deployment at Grand Lisboa to a total of 120 units. These moves generated an attractive return on investment and further enhanced player's experience. Our patent-protected LMG terminals served to improve the efficiency and productivity of casino operations by lowering the average cost per player and broadening the customer reach of casino operators.

* Adjusted EBITDA is profit attributable to owners of the Company before taxation, finance cost, impairment loss on intangible assets, loss on early redemption of promissory note, depreciation and amortisation and interest income.

In May 2015, the Group deployed 42 LMG terminals at Galaxy Macau Phase 2 and 50 LMG terminals installed at Galaxy Macau Phase 1, bringing new deployment at both casinos to a total of 92 terminals. The new deployment added on to the existing 150 terminals currently installed at Galaxy Macau Phase 1, not only helping to serve a broader mass market audience, but also delivering a higher return on investment to casino operators on the back of lower cost but higher productivity.

In October 2015, the Group launched 63 LMG terminals at the new electronic gaming zone at Casino Lan Kwai Fong in Macau. The Group took the opportunity to work together with Casino Lan Kwai Fong to provide electronic gaming solution applicable to the prevailing casino landscape. With our solutions, a broader mass market audience would be attracted by a variety of games that could enhance players' experience and in turn facilitate incremental growth to the casino floor yield, which would certainly increase our revenue sharing in this segment. In addition, it is expected our success at Casino Lan Kwai Fong will open up more deployment opportunities in the satellite casino market.

MARKET RECOGNITION

On 9 March 2015, the Company was admitted as a constituent stock of Hang Seng Broad Consumption Index, Hang Seng Global Composite Index and Hang Seng Composite Index, representing an important recognition from the investment community in Hong Kong. This could also be interpreted as an acknowledgement of the Company's success in the industry, and a highlight of our expanding presence in the Asia-Pacific gaming market, which would in turn heighten the awareness of the Group and facilitate the liquidity of shares in the Company.

PROSPECTS

In June 2015, Macau government announced a reversal of its transit visa policy that was tightened in 2014 after it was abused by high rollers and junket agents. Starting from 1 July 2015, mainland China passport holders transiting through Macau are allowed to stay in the city for a longer period up to seven days and gain second entry within 30 days, thereby increasing the number of well-heeled mainland customers visiting Macau. Notwithstanding this revision in policy, the number of tourists to Macau continued to decrease and according to the data from relevant Macau government authority, the downward trend in the gross revenue of casinos in Macau persisted in the first two months of 2016.

In addition, Macau is going to implement a full smoking ban on casino floors and smoking is no longer allowed in designated VIP rooms. Industry players have expressed concern that a full smoking ban might deter certain gamers and affect casino revenues, which is being challenged by China's anti-graft and austerity campaign. Against the backdrop of a sluggish market, the Group is awaiting the Macau government to promulgate more effective supportive policies in order to revitalise the economy of Macau.

Due to the need to fulfill certain complicated regulatory requirements, there was a delay in obtaining the necessary approvals from the Nevada Gaming Board for the Group's gaming terminals. This in turn resulted in further delay in the marketing and sales of the Group's products. Being a new-comer to the U.S. gaming market and in view of the fierce competition from the well-established gaming machines manufacturers in the U.S., it is a challenging task for the Group to open up this market in view of the substantial resources and effort required. To smooth out the challenges faced by the Group, the Group is actively seeking strategic partner, which has strong stand in the U.S. as well as worldwide gaming market, so that the Group can leverage on the strategic partner's existing resources, expertise and well-established market stand for the opening of the U.S. as well as the global market in an efficient and effective manner.

Liquidity and Financial Resources

As at 31 December 2015, the Group's finance lease and promissory note stood at HK$65,000 and HK$77,158,000, respectively, of which HK$65,000 and nil, respectively, were payable within 12 months. Current liabilities of the Group increased from HK$156,088,000 to HK$222,822,000, representing an increase of approximately 42.8%. The Group's total liabilities increased from HK$223,795,000 to HK$299,980,000, representing an increase of approximately 34.0%.

As at 31 December 2015, the cash on hand and available financial resources were sufficient for financing ongoing activities of the Group.

Gearing Ratio

The Group's gearing ratio (defined as the ratio of total outstanding interest bearing borrowing less cash and cash equivalents to total assets (excluding cash and cash equivalents)) as at 31 December 2015 was nil (2014: nil).

Foreign Exchange Exposure

The majority of the Group's income and expenses are denominated in Hong Kong Dollars ("HK$"), Macau Pataca ("MOP") and US Dollars ("US$"). The HK$ is linked to the US$ and the exchange rate between these two currencies has remained relatively stable over the past several years. The MOP is pegged to the 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 Directors do not consider specific hedges for currency fluctuation necessary.

Charges on Group Assets

As at 31 December 2015, the assets of the Group which were subject to charges for securing obligations under finance lease comprised a motor vehicle with net carrying value of approximately HK$56,000 (2014: HK$190,000).

Chairman's Statement

Organization and Staff

The Group had 500 staff (2014: 453) as at 31 December 2015. A majority of the staff are operational staff and marketing executives in Macau. The Group is actively seeking talents in Macau, Hong Kong and China in order to cope with its fast growing operations.

The terms of employment of the staff, executives and Directors conform to normal commercial practice. The emolument policy for the employees of the Group is principally set up by the Board on the basis of their merit, qualifications, competence and the Group's operating results. Share options are granted to and included in the terms of selected senior executives of the Company.

APPRECIATION

On behalf of the Board, I would like to thank our shareholders, bankers, professional parties and customers for their continuous support. I would also like to thank our executives and staff for their dedication and professionalism.

By Order of the Board
Paradise Entertainment Limited
Jay Chun
Chairman and Managing Director

Hong Kong, 30 March 2016

EXECUTIVE DIRECTORS

Mr. Jay Chun, aged 51, Chairman and Managing Director of the Company, is a talented entrepreneur and manager. He has a solid background in information technology and marketing and over 25 years of management and investment experience. He holds a Master's degree in business administration from the W.P. Carey School of Business at the Arizona State University and a Bachelor's degree in computer science from the Shanghai University of Science and Technology. Mr. Chun joined the Group and was appointed as the Managing Director of the Company in January 1999 and was subsequently appointed as the Chairman of the Board in July 2002. Mr. Chun is also the alternate Director to Mr. Shan Shiyong, alias, Sin Sai Yung.

Mr. Shan Shiyong, alias, Sin Sai Yung, aged 52, Executive Director and former Chairman of the Company, is an entrepreneur with strong business vision. After completing his studies in economics at the University of Agriculture, Shandong, he started his own business in manufacturing and export. Mr. Shan subsequently diversified to trading, property development and venture capital investment in China. He has over 28 years of dedicated business, investment and management experience at the owner level. Mr. Shan joined the Group and was appointed as an Executive Director in October 1998. He became the Chairman of the Company in May 1999 and resigned from Chairmanship in July 2002.

Mr. Hu Liming, aged 51, was appointed as an Executive Director on 30 November 2010. Mr. Hu is currently the managing director of Standind (Shanghai) Co. Ltd. and has over 25 years of experience in corporate management, business development as well as sales and marketing. Mr. Hu obtained his Bachelor's degree in engineering from Shanghai University of Science and Technology.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Kai-Shing Tao, aged 39, graduated from the Stern School of Business at New York University and has served as a member of Remark Media, Inc.'s board of directors since Remark Media, Inc.'s public listing in 2007 (Nasdaq: MARK). Mr. Tao was elected as the Chairman and Co-Chief Executive Officer in October 2012 and became the sole Chief Executive Officer of Remark Media, Inc. in December 2012. Mr. Tao also serves as Chairman and Chief Investment Officer of Pacific Star Capital Management, L.P., a private investment group. Prior to founding Pacific Star Capital Management, L.P., Mr. Tao was a Partner at FALA Capital Group, a single family investment office where he served in various capacities, including overseeing global liquid investments. Mr. Tao had been a director of Playboy Enterprises Inc. from May 2010 to March 2011 and Friendfinder Network Inc., from April 2012 to March 2013. Additionally, Mr. Tao is a member of the Real Estate Roundtable, US-China Business Council and US-Taiwan Business Council. Mr. Tao joined the Group in April 2014.

Mr. Li John Zongyang, aged 60, has rich and versatile background in the financial, business and corporate environment in the Asia-Pacific region. Before coming back to Asia, Mr. Li had worked for 10 years with Framlington Investment Management Company Limited, a leading investment management company in London, where he served as a Senior Fund Manager and the Head of the Asia Pacific region. Mr. Li had served as the Chief Executive Officer of several reputable companies. Mr. Li holds a Bachelor's degree in economics from Peking University and a Master's degree in business administration from Middlesex University Business School in London. Mr. Li joined the Group in September 2007.

Ms. Tang Kiu Sam Alice, aged 34, graduated with a bachelor of science degree in E-commerce from the Brunel University in London. Ms. Tang has more than 11 years of business development experience in gaming industry and comprehensive knowledge in gaming operation & products, strategic planning, sales & marketing with strong market insights and is experienced in product development with successful launches of a series of gaming products including video slots, electronic table games & slot management system. Ms. Tang is currently the managing director of Winning Asia Technology Ltd. and was a senior key account executive in EGT Entertainment Holding Limited (formerly known as Elixir Group Limited) from 2004 to 2007. Ms. Tang joined the Group in April 2014.

SENIOR MANAGEMENT

Ms. Feng Yi, Jenny, aged 51, is the Group's Casino General Manager. Ms. Feng holds a Bachelor's degree in computer science from Shanghai University of Science and Technology. Ms. Feng has extensive experience in managing gaming business. Ms. Feng is the spouse of Mr. Jay Chun and she joined the Group in 2006.

Ms. Zhao Yi, aged 38, is the Group's Marketing Director and Chief Operating Officer of the electronic gaming business. Ms. Zhao holds a Bachelor's degree in marketing from the Shanghai University of Finance and Economics. Ms. Zhao has more than 13 years of experience in marketing. Ms. Zhao joined the Group in 2007.

Ms. Ho Suet Man Stella, aged 44, is the Group's Chief Financial Officer and Company Secretary. Ms. Ho holds a Bachelor's degree in accountancy from the Hong Kong Polytechnic, now known as Hong Kong Polytechnic University and is an associate member of the Hong Kong Institute of Certified Public Accountants. Ms. Ho has extensive years of experience in auditing, finance and company secretarial matters. Ms. Ho joined the Group in September 2007.

The directors of the Company (the "Directors") present the annual report and the audited consolidated financial statements of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in the development, supply and sales of electronic gaming systems and the provision of casino management services.

SEGMENT INFORMATION

Segment information of the Group is set out in note 7 to the consolidated financial statements.

RESULTS AND FINANCIAL POSITION

The results of the Group for the year ended 31 December 2015 are set out in the consolidated statement of profit or loss and consolidated statement of other comprehensive income on pages 26 and 27, respectively.

The state of the Group's affairs as at 31 December 2015 is set out in the consolidated statement of financial position on pages 28 and 29.

DIVIDEND

The final dividend for the year ended 31 December 2014 of HK5 cents (2013: HK5 cents) per share was approved by the shareholders of the Company on the annual general meeting of the Company held on 19 June 2015 and was paid to shareholders of the Company during the year ended 31 December 2015.

The board of Directors of the Company (the "Board") did not recommend the payment of interim dividend for the six months ended 30 June 2015 (2014: HK2 cents per share). The Board also does not recommend the payment of final dividend for the year ended 31 December 2015 (2014: HK5 cents per share). In turn, the total dividend for the year ended 31 December 2015 is nil (2014: HK7 cents per share).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in note 15 to the consolidated financial statements.

SHARE CAPITAL

Details of changes in the Company's share capital during the year are set out in note 25 to the consolidated financial statements.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 30 and in note 34(iii) to the consolidated financial statements, respectively.

DIRECTORS AND SERVICE CONTRACTS

The members of the Board during the year and up to the date of this report were as follows:

Executive Directors:
Mr. Jay Chun, Chairman and Managing Director (alternate Director to Mr. Shan Shiyong, alias, Sin Sai Yung)
Mr. Shan Shiyong, alias, Sin Sai Yung
Mr. Hu Liming

Independent non-executive Directors:
Mr. Li John Zongyang
Mr. Kai-Shing Tao
Ms. Tang Kiu Sam Alice

The biographical details of the Directors and senior management of the Group are set out on pages 7 and 8.

In accordance with the Company's Bye-Laws, Mr. Li John Zongyang and Mr. Kai-Shing Tao will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Each of Mr. Li John Zongyang and Mr. Kai-Shing Tao does not have a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

All independent non-executive Directors are not appointed for a specific term but are subject to retirement by rotation in accordance with the Company's Bye-Laws.

The Company has received from each of its independent non-executive Directors an annual confirmation of his/her independence pursuant to rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Company considered them to be independent as at the date of this report.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

On 2 November 2012, the Group entered into an agreement with Mr. Jay Chun, an executive Director, for the acquisition of several patents and patent applications in the U.S. in relation to certain technological know-how applied in a computerized betting terminal system at a total consideration of HK$740,000,000, with (i) HK$60,000,000 to be satisfied in cash; (ii) HK$200,000,000 to be satisfied by the issue of a promissory note with a principal value of HK$200,000,000; and (iii) HK$480,000,000 to be satisfied by the issue of consideration shares. The details of the acquisition were disclosed in the Company's announcements dated 7 January 2013, 28 February 2013, 18 March 2013, 30 April 2013, 8 May 2013, 3 June 2013 and 19 June 2013 and a circular dated 9 May 2013. Finally the acquisition was approved by the shareholders of the Company at the special general meeting held on 3 June 2013 and the acquisition was completed on 19 June 2013.

Saved as disclosed, no contract of significance to which the Company or any of its subsidiaries was a party and in which any Director had a material interest, whether directly and indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 31 December 2015, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such Director or chief executive was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code"), were as follows:

Name of Directors	Name of Company/ associated corporation	Capacity/ Nature of interests	Interests in shares (other than pursuant to equity derivatives)[1]	Interests in underlying shares pursuant to equity derivatives[1]	Total interests in shares/underlying shares[1]	Approximate aggregate percentage of interests
Mr. Jay Chun	The Company	Beneficial owner	124,160	–	630,960,880	59.88%
	The Company	Interest of controlled corporation	630,836,720[2]	–		
Mr. Shan Shiyong, alias, Sin Sai Yung	The Company	Interest of controlled corporation	26,097,580[3]	–	26,097,580	2.48%

Notes:

(1) All interests in shares stated above are of par value HK$0.001 each and 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.

Save as disclosed, none of the Directors and the chief executive 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 31 December 2015.

SHARE OPTIONS HELD BY DIRECTORS

The share option scheme was adopted by the Company on 30 July 2007 (the "Scheme"). Particulars of the Scheme are set out in note 27 to the consolidated financial statements.

The Directors did not hold any outstanding share options granted under any share option scheme during the year.

Share Option Scheme

No options were granted to the Directors under the Scheme during the year.

Nil (2014: nil) has been charged to the consolidated statement of profit or loss in respect of the value of options granted to the Directors during the year.

As at the date of this report, the total number of options available for issue under the Scheme is 106,398,131 options, representing 10% of the shares of the Company in issue as at the date of refreshment of the scheme mandate limit on 13 June 2014.

For details of the options held by other participants, please refer to note 27 to the consolidated financial statements.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from the share option schemes disclosed under the section headed "Share Options Held by Directors" and the contracts disclosed under the section headed "Directors' Interests in Contracts of Significance" above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate. In addition, none of the Directors, or their spouse or children under the age of 18 had any right to subscribe for the securities of the Company or had exercised any such right during the year.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 31 December 2015, 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 executive of the Company, the following persons or corporations, other than Directors or chief executive of the Company, had an interest in the shares of the Company, which would require to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of the Company:

Name	**Total interests in shares**[(1)]	**Approximate percentage of interests**
August Profit Investments Limited[(2)]	630,836,720	59.87%
FIL Limited	74,028,000	7.02%

Notes:

(1) All interests in shares stated above are of par value HK$0.001 each and represent long positions.

(2) August Profit Investments Limited is wholly owned by Mr. Jay Chun, an executive Director.

There was duplication of interests in 630,836,720 shares owned by Mr. Jay Chun, the Chairman and an executive Director, and August Profit Investments Limited.

Save as disclosed, as at 31 December 2015, the Company had not been notified of any person or corporation who was interested in or had a short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company under section 336 of the SFO.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2015, the aggregate amount of turnover attributable to the Group's five largest customers accounted for approximately 99.1% of the Group's total turnover and the turnover attributable to the Group's largest customer represented approximately 70.8% of the Group's total turnover.

For the year ended 31 December 2015, the aggregate amount of cost of sales attributable to the Group's five largest suppliers accounted for approximately 76.5% of the Group's total cost of sales and the cost of sales attributable to the Group's largest supplier represented approximately 30.4% of the Group's total cost of sales.

None of the Directors, their associates or any shareholders (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) has any interest in any of the Group's five largest customers or suppliers.

CONVERTIBLE SECURITIES, WARRANTS, OR SIMILAR RIGHTS

The Company had no outstanding convertible securities, warrants or other similar rights as at 31 December 2015.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the year, the Company repurchased a total of 5,260,000 shares of the Company at an aggregate consideration of approximately HK$9,682,000 on the Stock Exchange. Of which, 3,824,000 shares were cancelled during the year ended 31 December 2015 and the remaining balance of 1,436,000 shares were cancelled in January 2016. Details of the repurchases are as follows:

Month of repurchases	Number of shares repurchased	Price per share Highest	Price per share Lowest	Consideration
		HK$	HK$	HK$'000
January 2015	1,936,000	2.85	2.81	5,508
March 2015	20,000	1.82	1.82	37
July 2015	412,000	1.55	1.52	636
August 2015	348,000	1.30	1.25	440
September 2015	932,000	1.30	1.23	1,193
October 2015	176,000	1.30	1.27	227
November 2015	604,000	1.24	1.11	728
December 2015	832,000	1.15	1.01	913
Total	5,260,000			9,682

The repurchases were made for the benefit of the Company and its shareholders as a whole with a view to enhance the net asset value per share and to improve the earnings per share of the Company.

For more details, please refer to note 25(iii).

Save as disclosed, neither the Company nor its subsidiaries had purchased, sold or redeemed any of the Company's listed shares during the year.

CONNECTED PARTY TRANSACTIONS

Certain related party transactions set out in note 32 to the consolidated financial statements constituted "connected transactions" or "continuing connected transactions" within the meaning of the Listing Rules, however, such transactions are exempt from all the reporting, announcement and independent shareholders' approvals requirements set out in Chapter 14A of the Listing Rules.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-Laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to the existing shareholders.

CORPORATE GOVERNANCE

In the opinion of the Board, the Company has complied with the code provisions as set out in the Corporate Governance Code (the "Code") as set out in Appendix 14 to the Listing Rules throughout the year ended 31 December 2015 except for certain deviations. For further information on the Company's corporate governance practices and details of the deviations, please refer to the Corporate Governance Report on pages 16 to 23.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as its code of conduct regarding Directors' securities transactions. Having made specific enquiry of all Directors, the Directors have confirmed that they had complied with the requirements set out in the Model Code during the year.

DONATIONS

Donations made by the Group during the year amounted to HK$192,504 (2014: HK$195,961).

CHANGES OF DIRECTORS' INFORMATION

Below are the changes of Director's information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

The remuneration payable to Mr. Jay Chun and Mr. Shan Shiyong, alias, Sin Sai Yung, both of them are executive Directors, comprises basic salary and discretionary bonus. The remuneration of Mr. Jay Chun and Mr. Shan Shiyong, alias, Sin Sai Yung per annum have been decreased from HK$13,470,000 and HK$13,350,000, respectively, for the year ended 31 December 2014 to HK$12,000,000 and HK$12,000,000, respectively, for the year ended 31 December 2015.

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

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors of the Company, as at the date of this report, there is sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

EVENTS AFTER THE REPORTING PERIOD

As disclosed in the section headed "PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES", during the year ended 31 December 2015, the Company repurchased a total of 5,260,000 shares of the Company at an aggregate consideration of approximately HK$9,682,000 on the Stock Exchange. Of which, 3,824,000 shares were cancelled during the year ended 31 December 2015 and the remaining balance of 1,436,000 shares were cancelled in January 2016.

On 26 February 2016, the Company entered into a distributorship framework agreement with Mr. Linyi Feng ("Mr. Feng") for the sales and distribution of the gaming products of the Group to the companies controlled by Mr. Feng for a term of three years from 1 January 2016 to 31 December 2018. Mr. Feng is the brother-in-law of Mr. Jay Chun, the controlling shareholder, the executive Director, the Chairman and the Managing Director of the Company, and thus a deemed connected person of the Company within the meaning of the Listing Rules and the transactions contemplated under the distributorship framework agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. As some of the applicable percentage ratios (as defined under the Listing Rules) in respect of the annual transaction amount under the distributorship framework agreement exceed 0.1% and are below 5%, the distributorship framework agreement will be subject to the reporting, announcement and annual review requirements and exempt from the independent shareholders' approval requirement under the Listing Rules. The details of the distributorship framework agreement were disclosed in the Company's announcement dated 29 February 2016.

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

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and assets and liabilities of the Group for the last five financial years is set out on page 96 of this report.

AUDITORS

A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint PAN-CHINA (H.K.) CPA LIMITED as the auditors of the Company.

On behalf of the Board

Jay Chun
Chairman and Managing Director

Hong Kong, 30 March 2016

The Board believes that corporate governance is essential to the success of the Company and has adopted various measures to ensure that a high standard of corporate governance is maintained to safeguard the interests of shareholders of the Company.

In the opinion of the Board, the Company has complied with the code provisions as set out in the Code throughout the year ended 31 December 2015 except for certain deviations disclosed herein.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, all Directors have confirmed that they had fully complied with the required standard set out in the Model Code during the year.

BOARD OF DIRECTORS

The Board is responsible for the leadership and control of the Group, overseeing the Group's businesses, strategic decisions and performance, evaluating the performance of the Group and supervising the management. In addition, the Board reserves the authority to make final decisions for all major matters of the Company, including approving and monitoring of budgets, dividend payout, material transaction, preparation and release of financial information, appointment of Directors. The Board is also responsible for performing the corporate governance duties set out in code provision D.3.1 of the Code.

During the year, the Board had reviewed the compliance of the Model Code and disclosure in this Corporate Governance Report including the board diversity policy and effectiveness of the internal control systems.

In order to enhance efficiency, the Board has delegated the day-to-day responsibilities and operations to the executive Directors and senior management who perform their duties under the leadership of the Managing Director.

During the year, the Board had held two meetings. The number of regular Board meetings held during the year fell short of four times a year as set out in code provision A.1.1 of the Code because of the conflicting schedules of the members of the Board, which rendered it difficult to arrange for such meetings.

The members of the Board and the attendance of each member at Board meetings and the annual general meeting held on 19 June 2015 are as follows:

	Number of attendance	
Directors	**Board meetings**	**Annual general meeting held on 19 June 2015**
Executive Directors:		
Mr. Jay Chun *(Chairman and Managing Director)*	2/2	0/1
Mr. Shan Shiyong, alias, Sin Sai Yung	0/2	0/1
Mr. Hu Liming	0/2	0/1
Independent Non-executive Directors:		
Mr. Li John Zongyang	2/2	0/1
Mr. Kai-Shing Tao	0/2	0/1
Ms. Tang Kiu Sam Alice	2/2	0/1

Given the nature and business objective of the Company, the Board has a balance of skill and experience appropriate for the requirements of the business of the Company. The list of Directors and their respective biographies are set out on pages 7 and 8 of this annual report.

CHAIRMAN AND MANAGING DIRECTOR

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 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 of the Company 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.

Pursuant to code provision E.1.2 of the Code, the Chairman of the Board, and the chairman of the audit committee, the remuneration committee, the nomination committee and any other committee should attend the annual general meeting. However, Mr. Jay Chun and the chairman of the audit committee, remuneration committee and nomination committee were unable to attend the annual general meeting held on 19 June 2015 as they were engaged in other commitments of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

In accordance with code provision A.4.1 of the Code, non-executive directors should be appointed for a specific term, subject to re-election. Currently, none of 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.

DIRECTORS' TRAINING AND PROFESSIONAL DEVELOPMENT

Directors are continually updated on the latest development and changes in the Listing Rules, the Code and other regulatory requirements in order to ensure the compliance with the same by the Directors.

Directors are also encouraged to participate in professional development courses and seminars to develop and refresh their knowledge and skills. All Directors had provided a record of training they received during the year to the Company. According to the training records provided by the Directors, the training attended by them during the year is summarized as follows:

Directors	Corporate Governance, Regulatory Development and Trainings on other relevant topics
Executive Directors:	
Mr. Jay Chun	✓
Mr. Shan Shiyong, alias, Sin Sai Yung	✓
Mr. Hu Liming	✓
Independent Non-executive Directors:	
Mr. Li John Zongyang	✓
Mr. Kai-Shing Tao	✓
Ms. Tang Kiu Sam Alice	✓

COMMITTEES

The Company has established three committees, namely the remuneration committee, the nomination committee and the audit committee to assist the Board in discharging its duties and responsibilities. The committees are provided with sufficient resources to discharge their duties and are able to obtain outside independent professional advice in connection with their duties at the Company's expenses.

REMUNERATION COMMITTEE

The remuneration committee of the Company (the "Remuneration Committee") is responsible for making recommendations to the Board on, among other things, the Company's policy for the remuneration of executive Directors and senior management of the Company by making reference to market rates, their duties and responsibilities within the Group and their experience and assessing performance of Directors and is delegated by the Board with the responsibility to determine on behalf of the Board the remuneration packages of executive Directors and senior management of the Company.

Please refer to the terms of reference of the Remuneration Committee published on the websites of the Stock Exchange and the Company for the roles and functions of the Remuneration Committee.

During the year, the Remuneration Committee held one meeting. Members of the Remuneration Committee and the attendance of each member are as follows:

Directors	Number of attendance
Executive Director:	
Mr. Jay Chun	1/1
Independent Non-executive Directors:	
Mr. Li John Zongyang *(Chairman)*	1/1
Ms. Tang Kiu Sam Alice	1/1

During the year, the Remuneration Committee reviewed and determined the remuneration of the executive Directors and made recommendation to the Board on the remuneration of the independent non-executive Directors.

The remuneration of the senior management by band for the year ended 31 December 2015 are as follows:

	Number of individuals
HK$1,000,001 to HK$1,500,000	1
HK$1,500,001 to HK$2,000,000	1
HK$4,500,001 to HK$5,000,000	1

NOMINATION COMMITTEE

The nomination committee of the Company (the "Nomination Committee") is responsible for determining the policy for the nomination of Directors, reviewing the size and composition of the Board regularly and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy and the board diversity policy. Its duties include identification and nomination of candidates to fill casual vacancies of Directors and succession planning for the Chairman. The Nomination Committee is also responsible for assessing the independence of independent non-executive Directors.

In 2013, the Board adopted a board diversity policy setting out the approach to diversity of members of the Board. The Company recognises and embraces the benefits of diversity of Board members. It endeavours to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. All Board appointments will continue to be made on a merit basis with due regard for the benefits of diversity of the Board members. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge. The ultimate decision will be made upon the merits and contribution that the selected candidates will bring to the Board.

Please refer to the terms of reference of the Nomination Committee published on the websites of the Stock Exchange and the Company for the roles and functions of the Nomination Committee.

During the year, the Nomination Committee held one meeting to review the independence of each independent non-executive Director. Members of the Nomination Committee and the attendance of each member are as follows:

Directors	Number of attendance
Executive Director:	
Mr. Jay Chun *(Chairman)*	1/1
Independent Non-executive Directors:	
Mr. Li John Zongyang	1/1
Ms. Tang Kiu Sam Alice	1/1

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") is responsible for reviewing the effectiveness of the financial reporting system and internal control systems of the Group and maintaining an appropriate relationship with the auditors of the Company.

Please refer to the terms of reference of the Audit Committee published on the websites of the Company and the Stock Exchange for the roles and functions of the Audit Committee.

During the year, the Audit Committee held two meetings. Members of the Audit Committee and the attendance of each member are as follows:

Directors	Number of attendance
Independent Non-executive Directors:	
Mr. Li John Zongyang *(Chairman)*	2/2
Mr. Kai-Shing Tao	0/2
Ms. Tang Kiu Sam Alice	2/2

During the year, the Audit Committee had performed the following duties:

– reviewed with the management and the external auditors the audited consolidated financial statements for the year ended 31 December 2014 and the unaudited consolidated financial statements for the six months ended 30 June 2015, with recommendations to the Board for approval;

– reviewed with the management of the Company the accounting principles and practices adopted by the Group and the audited consolidated financial statements for the year ended 31 December 2015;

– reviewed and discussed the financial reporting system and internal control systems of the Group with management to ensure that management has performed its duty to have effective systems. The review covered all material controls, including financial, operational and compliance controls and the discussion with management included the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting and financial reporting function; and

– reviewed the compliance with accounting standards, Listing Rules, legal and statutory requirements in relation to financial reporting.

The Chairman of the Audit Committee, Mr. Li John Zongyang, possesses relevant financial management expertise and meets the requirements of Rule 3.21 of the Listing Rules.

AUDITORS' REMUNERATION

During the year, the remuneration paid to the Group's external auditors is as follows:

Services rendered for the Group	HK$'000
Audit services	935
Non-audit services	–
	935

ACCOUNTABILITY

The Directors are responsible for preparation of financial statements which give true and fair view of the state of affairs, the results of operations and cash flows of the Group in compliance with accounting standards, Listing Rules, legal and statutory requirements in relation to financial reporting. In preparation of the financial statements for the six months ended 30 June 2015 and for the year ended 31 December 2015, the Directors have adopted suitable accounting policies and applied them consistently. The financial statements for the year ended 31 December 2015 have been prepared on going concern basis.

INTERNAL CONTROL

During the year ended 31 December 2015, the Board oversaw the Group's internal control systems on an ongoing basis and reviewed the effectiveness of the Group's internal control systems on annual basis. The review covered all material controls, including financial, operational and compliance controls. The Board also reviewed the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting and financial reporting functions. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

SHAREHOLDERS' RIGHTS

As one of the measures to safeguard shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual Directors, for shareholders' consideration and voting. All resolutions put forward at shareholders' meetings will be voted by poll pursuant to the Listing Rules and the poll results will be published on the websites of the Stock Exchange and the Company at "www.hkexnews.hk" and "www.hk1180.com", respectively, after the relevant shareholders' meetings.

Right to convene extraordinary general meeting

Shareholders of the Company may request to convene a special general meeting. According to bye-law 58 of the Company's Bye-Laws, shareholders holding at the date of deposit of the requisition not less than one-tenth (10%) of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary of the Company (the "Company Secretary"), to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If the Board fails to proceed to convene such meeting within twenty-one days of such deposit, the requisitionists themselves may do so in accordance with the provisions of Section 74 of the Companies Act 1981 of Bermuda.

Right to put enquiries to the Board

Shareholders have the right to put enquiries to the Board. All enquiries shall be in writing and sent by post, together with his/her contact details, such as postal address, email or fax, to the principal office of the Company in Hong Kong for the attention of the Company Secretary.

Right to put forward proposals at general meetings

Shareholders may put forward proposals at general meetings of the Company by sending the same to the principal office of the Company in Hong Kong, specifying his/her information, contact details and the proposal(s) he/she intends to put forward at the general meeting regarding any specified transaction/business and the supporting documents.

MEMORANDUM OF ASSOCIATION AND BYE-LAWS OF THE COMPANY

During the year, no amendment was made to the Memorandum of Association and Bye-Laws of the Company.

PAN-CHINA (H.K.) CPA LIMITED Certified Public Accountants
天健(香港)會計師事務所有限公司

TO THE MEMBERS OF PARADISE ENTERTAINMENT LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Paradise Entertainment Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages 26 to 95, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirement of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015 and of the Group's financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

PAN-CHINA (H.K.) CPA LIMITED
Certified Public Accountants

Chan Kin Wai
Practicing Certificate Number P05342

11/F., Hong Kong Trade Centre,
161-167 Des Voeux Road Central,
Hong Kong

30 March 2016

Consolidated Statement of Profit or Loss

For the year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
Turnover	7	**1,092,078**	1,192,288
Cost of sales and services		**(642,251)**	(544,164)
Gross profit		**449,827**	648,124
Other income	8	**12,197**	10,628
Marketing, selling and distribution costs		**(199,889)**	(240,325)
Administrative and operating expenses		**(266,972)**	(262,958)
Loss on early redemption of promissory note		**–**	(34,890)
Amortisation for intangible assets	16	**(66,932)**	(66,933)
Impairment loss on intangible assets	16	**(67,280)**	–
Finance costs	9	**(9,524)**	(8,758)
(Loss)/profit before tax	11	**(148,573)**	44,888
Income tax (expenses)/credit	10	**(340)**	21,653
(Loss)/profit for the year		**(148,913)**	66,541
(Loss)/profit for the year attributable to:			
– Owners of the Company		**(165,192)**	58,443
– Non-controlling interests		**16,279**	8,098
		(148,913)	66,541
(Loss)/earnings per share (HK cents)	14		
– Basic		**(15.66)**	5.52
– Diluted		**(15.66)**	5.52

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Other Comprehensive Income

For the year ended 31 December 2015

	2015 HK$'000	2014 HK$'000
(Loss)/profit for the year	**(148,913)**	66,541
Other comprehensive income, net of tax		
Items that may be reclassified subsequently to profit or loss:		
– Exchange differences on translation of financial statements of overseas operations	**(355)**	85
Total comprehensive (expenses)/income for the year	**(149,268)**	66,626
Total comprehensive (expenses)/income attributable to:		
– Owners of the Company	**(165,547)**	58,528
– Non-controlling interests	**16,279**	8,098
	(149,268)	66,626

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2015

	Notes	**2015 HK$'000**	2014 HK$'000
Non-current assets			
Property, plant and equipment	15	**193,936**	186,447
Intangible assets	16	**568,317**	702,529
Interest in an associate	17	**–**	–
		762,253	888,976
Current assets			
Inventories	18	**87,220**	46,246
Debtors, deposits and prepayments	19	**189,681**	158,850
Cash and cash equivalents	20	**237,390**	321,252
		514,291	526,348
Current liabilities			
Creditors and accrued charges	21	**218,884**	151,596
Obligations under finance leases – due within one year	22	**65**	123
Amounts due to directors	32	**3,535**	3,347
Tax payable		**338**	1,022
		222,822	156,088
Net current assets		**291,469**	370,260
Total assets less current liabilities		**1,053,722**	1,259,236

Consolidated Statement of Financial Position

As at 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
Non-current liabilities			
Obligations under finance leases – due after one year	22	**–**	65
Promissory note	23	**77,158**	67,642
		77,158	67,707
Net assets		**976,564**	1,191,529
Capital and reserves			
Share capital	25	**1,053**	1,057
Treasury shares	25	**(1,641)**	–
Reserves	26	**934,822**	1,161,181
Equity attributable to owners of the Company		**934,234**	1,162,238
Non-controlling interests		**42,330**	29,291
Total equity		**976,564**	1,191,529

These consolidated financial statements on pages 26 to 95 were approved and authorised for issue by the Board of Directors on 30 March 2016 and are signed on its behalf by:

JAY CHUN	**TANG KIU SAM ALICE**
Director	*Director*

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

	Attributable to owners of the Company										
	Share capital HK$'000	Treasury shares HK$'000	Share premium HK$'000	Special reserve HK$'000	Share options reserve HK$'000	Warrants reserve HK$'000	Translation reserve HK$'000	Accumulated profits (losses) HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2014	1,025	–	903,651	119,612	1,893	952	21,471	99,182	1,147,786	27,504	1,175,290
Profit for the year	–	–	–	–	–	–	–	58,443	58,443	8,098	66,541
Other comprehensive income	–	–	–	–	–	–	85	–	85	–	85
Total comprehensive income	–	–	–	–	–	–	85	58,443	58,528	8,098	66,626
Additional equity interest in subsidiaries acquired from non-controlling interests	–	–	–	–	–	–	–	(7)	(7)	7	–
Dividends paid (note 13)	–	–	–	–	–	–	–	(74,479)	(74,479)	(6,318)	(80,797)
Issue of shares upon exercise of share options and warrants (notes 25(i) and 25(ii))	39	–	52,256	–	(1,893)	(952)	–	–	49,450	–	49,450
Repurchase of shares (note 25(iii))	(7)	–	(19,033)	–	–	–	–	–	(19,040)	–	(19,040)
At 31 December 2014 and 1 January 2015	1,057	–	936,874	119,612	–	–	21,556	83,139	1,162,238	29,291	1,191,529
Loss for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(165,192)**	**(165,192)**	**16,279**	**(148,913)**
Other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**(355)**	**-**	**(355)**	**-**	**(355)**
Total comprehensive expenses	**-**	**-**	**-**	**-**	**-**	**-**	**(355)**	**(165,192)**	**(165,547)**	**16,279**	**(149,268)**
Dividend paid (note 13)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(52,775)**	**(52,775)**	**(3,240)**	**(56,015)**
Repurchase of shares (note 25(iii))	**(4)**	**-**	**(8,037)**	**-**	**-**	**-**	**-**	**-**	**(8,041)**	**-**	**(8,041)**
Repurchase of shares but not yet cancelled (note 25(iii))	**-**	**(1,641)**	**-**	**-**	**-**	**-**	**-**	**-**	**(1,641)**	**-**	**(1,641)**
At 31 December 2015	**1,053**	**(1,641)**	**928,837**	**119,612**	**-**	**-**	**21,201**	**(134,828)**	**934,234**	**42,330**	**976,564**

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

	2015 HK$'000	2014 HK$'000
Cash flow from operating activities		
(Loss)/profit before tax	**(148,573)**	44,888
Adjustments for:		
Finance costs recognised in profit or loss	**9,524**	8,758
Interest income recognised in profit or loss	**(3,585)**	(1,730)
Amortisation for intangible assets	**66,932**	66,933
Impairment loss on intangible assets	**67,280**	–
Loss on early redemption of promissory note	**–**	34,890
Impairment loss recognised in respect of amount due from an associate	**18**	17
Depreciation of property, plant and equipment	**56,599**	49,314
Gain on disposal of property, plant and equipment	**–**	(90)
Operating cash flows before movements in working capital	**48,195**	202,980
Increase in inventories	**(40,974)**	(27,551)
(Increase)/decrease in debtors, deposits and prepayments	**(30,994)**	89,868
Increase/(decrease) in creditors and accrued charges	**67,549**	(828)
Cash generated from operations	**43,776**	264,469
Income taxes paid – overseas	**(1,023)**	(1,360)
Net cash generated from operating activities	**42,753**	263,109
Cash flow from investing activities		
Purchases of property, plant and equipment	**(64,219)**	(57,237)
Proceeds from disposal of property, plant and equipment	**–**	143
Interest received	**3,585**	1,730
Net cash used in investing activities	**(60,634)**	(55,364)

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

	2015 HK$'000	2014 HK$'000
Cash flow from financing activities		
Payment for repurchase of shares	**(9,682)**	(19,040)
Proceeds from issue of shares upon exercise of share options and warrants	**–**	49,450
Interest paid	**–**	(400)
Repayment of obligations under finance leases	**(123)**	(115)
Payment for redemption of promissory notes	**–**	(101,760)
Advance from/(repayment to) directors	**188**	(600)
Interest paid on obligations under finance leases	**(8)**	(16)
Dividend paid	**(56,015)**	(80,797)
Net cash used in financing activities	**(65,640)**	(153,278)
Net (decrease)/increase in cash and cash equivalents	**(83,521)**	54,467
Cash and cash equivalents at beginning of the year	**321,252**	266,699
Effect of foreign exchange rate changes	**(341)**	86
Cash and cash equivalents at end of the year (Note 20)	**237,390**	321,252

The accompanying notes form an integral part of these consolidated financial statements.

1. GENERAL INFORMATION

Paradise Entertainment Limited (the "Company") was incorporated in Bermuda as an exempted company with limited liability under the Companies Act of Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The addresses of the registered office and the principal place of business of the Company are disclosed in the "Corporate Information" section in the annual report.

The Company is an investment holding company. The principal activities of the Company's subsidiaries (hereinafter collectively referred to as the "Group") are set out in note 33.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the same as the functional currency of the Company.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

New and amended standards and interpretations that are mandatorily effective for the current year

Amendments to HKAS 19	*Defined benefit plans: Employee contributions*
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2010-2012 Cycle*
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2011-2013 Cycle*

The directors of the Company consider that the application of these new and amended HKFRSs and Hong Kong Accounting Standard ("HKAS") in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in the consolidated financial statements.

In addition, the requirement of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and amended standards and interpretations in issue but not yet effective

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

Amendments to HKAS 1	*Disclosure initiative*[1]
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[1]
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*[1]
Amendments to HKAS 27	*Equity Method in Separate Financial Statements*[1]
Amendments to HKFRS 10 and HKAS 28	*Sales or Contributions of Assets between an Investor and its Associate or Joint Venture*[4]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	*Investment Entities: Applying the Consolidation Exception*[1]
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[1]
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2012-2014 Cycle*[1]
HKFRS 9	*Financial Instruments*[3]
HKFRS 14	*Regulatory Deferral Accounts*[2]
HKFRS 15	*Revenue from Contracts with Customers*[3]

1 Effective for annual periods beginning on or after 1 January 2016
2 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016
3 Effective for annual periods beginning on or after 1 January 2018
4 No mandatory effective date is determined but is available for early adoption

HKFRS 9 (2014) Financial Instruments

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and was further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include (a) impairment requirements for financial assets; and (b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" ("FVTOCI") measurement category for certain financial assets.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and amended standards and interpretations in issue but not yet effective (Continued)

HKFRS 9 (2014) Financial Instruments (Continued)

Key requirements of HKFRS 9 (2014) are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measure at FVTOCI. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 (2014) requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and amended standards and interpretations in issue but not yet effective (Continued)

HKFRS 9 (2014) Financial Instruments (Continued)

- In relation to the impairment assessment of financial assets, HKFRS 9 (2014) adopts an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- HKFRS 9 (2014) introduces a new model which is more closely aligns hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risk exposures. As a principle-based approach, HKFRS 9 (2014) looks at whether a risk component can be identified and measured and does not distinguish between financial items and non-financial items. The new model also enables an entity to use information produced internally for risk management purposes as a basis for hedge accounting. Under HKAS 39, it is necessary to exhibit eligibility and compliance with the requirements in HKAS 39 using metrics that are designed solely for accounting purposes. The new model also includes eligibility criteria but these are based on an economic assessment of the strength of the hedging relationship. This can be determined using risk management data. This should reduce the costs of implementation compared with those for HKAS 39 hedge accounting because it reduces the amount of analysis that is required to be undertaken only for accounting purposes.

The Directors anticipate that the application of HKFRS 9 in the future may have a material impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the financial effect on the Group's financial statements until a detailed review has been completed.

HKFRS 15 Revenue from Contracts with Customers

In July 2015, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related Interpretations when it becomes effective.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and amended standards and interpretations in issue but not yet effective (Continued)

HKFRS 15 Revenue from Contracts with Customers (Continued)

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The Directors anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the financial effect until the Group performs a detailed review.

HKAS 1 (Amendments) Disclosure Initiative

The amendments clarify that companies should use professional judgement in determining what information as well as where and in what order information is presented in the financial statements. Specifically, an entity should decide, taking into consideration all relevant facts and circumstances, how it aggregates information in the financial statements, which include the notes. An entity does not require to provide a specific disclosure required by a HKFRS if the information resulting from that disclosure is not material. This is the case even if the HKFRS contain a list of specific requirements or describe them as minimum requirements.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS (''HKFRSs'') (Continued)

New and amended standards and interpretations in issue but not yet effective (Continued)

HKAS 1 (Amendments) Disclosure Initiative (Continued)

Besides, the amendments provide some additional requirements for presenting additional line items, headings and subtotals when their presentation is relevant to an understanding of the entity's financial position and financial performance respectively. Entities, in which they have investments in associates or joint ventures, are required to present the share of other comprehensive income of associates or joint ventures accounted for using the equity method, separation into the share of items that (i) will not be reclassified subsequently to profit or loss; and (ii) will be reclassified subsequently to profit or loss when specific conditions are not met.

Furthermore, the amendments clarify that:

(i) an entity should consider the effect on the understandability and comparability of its financial statements when determining the order of the notes; and

(ii) significant accounting policies are not required to be disclosed in one note, but instead can be included with related information in other notes.

Management is in the process of making an assessment of the impact of the application of Amendments to HKAS 1 and is not yet in a position to state whether it would have a significant impact on the Group's consolidated financial statements.

Apart from the aforementioned, the Directors consider that the adoption of the other new standards and amendments to standards is not expected to have any significant impact on the results and financial position of the Group and performance as well as disclosure.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with the following accounting policies which conform to HKFRSs issued by HKICPA and the accounting principal generally accepted in Hong Kong. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange. The consolidated financial statements are prepared in accordance with the applicable disclosure requirements of the Hong Kong Companies Ordinance for this financial year and the comparative period.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Basis of preparation of the consolidated financial statements

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values at the end of each reporting periods, as explained in the accounting policies set out below:

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payments transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are within the scope of HKAS 17 "Leases" and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Basis of consolidation (Continued)

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

(d) 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.

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 of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts 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.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another HKFRS.

(e) Investments in subsidiaries

The Company's investment in subsidiaries are stated on the statement of financial position of the Company at cost less any identified impairment losses. The results of subsidiaries are included in the Company's profit or loss to the extent of dividends received and receivables.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with an associate of the Group (such as a sale or contribution of assets), profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts.

Revenue from gaming operations in respect of net gaming wins and the provision of gaming and related facilities is recognised when the relevant services have been rendered and is measured at the entitlement of economic inflows of the Group from the business.

Revenue from the sales of goods is recognised when the goods are delivered and the title has passed.

Interest income is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

The Group's policy for recognition of revenue from operating leases is described under the accounting policy of leasing.

(h) Property, plant and equipment

Property, plant and equipment held for use in the production or supply of goods or services, or for administrative purposes are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method. The estimated useful lives, residual value and depreciation method are reviewed at the end of each reporting periods, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated statement of profit or loss in the year in which the item is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation. Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss.

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease.

(j) Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting periods, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of each reporting periods. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

(l) Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme, stated-managed retirement benefit schemes and other relevant defined contribution retirement benefit plans are charged as an expense when employees have rendered the service entitling them to the contributions.

(m) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year and other comprehensive income. Taxable profit differs from 'profit or loss before tax' as reported in the consolidated statement of profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising from investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Taxation (Continued)

The carrying amount of deferred tax assets is reviewed at the end of each reporting periods and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting periods, to recover or settle the carrying amount of its assets and liabilities.

Current or deferred tax are recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

(n) Intangible assets

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives.

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of profit or loss when the asset is derecognised.

(o) Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

(p) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less all the estimated cost of completion and costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provision of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into financial assets at fair value through profit or loss ("FVTPL") and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL of which interest income is included in net gains or losses.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Financial instruments (Continued)

Financial assets (Continued)

Financial assets at FVTPL

Financial assets at FVTPL have two subcategories, including financial assets held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

– it has been acquired principally for the purpose of selling in the near future; or

– it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

– it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in the other gains and losses.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market subsequent to initial recognition, loans and receivables (including debtors, deposits, other debtors and cash and cash equivalents) are carried at amortised cost using the effective interest method, less any identified impairment losses except where the receivables are interest-free loans without any fixed repayment terms or the effect of discounting would be immaterial, in which case they are stated at cost. (see accounting policy on impairment loss on financial assets below).

Impairment loss on financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting periods. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Financial instruments (Continued)

Financial assets (Continued)

Impairment loss on financial assets (Continued)

For all of the Group's financial assets, objective evidence of impairment could include:

– significant financial difficulty of the issuer or counterparty; or

– breach of contract, such as a default or delinquency in interest or principal payments; or

– it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or

– the disappearance of an active market for that financial assets because of financial difficulties.

For certain categories of financial asset, such as trade debtors, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade debtors, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a debt is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Financial instruments (Continued)

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognitions.

Interest expense is recognised on an effective interest basis.

Other financial liabilities

Other financial liabilities including creditors and accrued charges, amounts due to directors, obligations under finance leases and promissory note are subsequently measured at amortised cost, using the effective interest method.

Warrants

Warrants issued by the Company that will be settled by a fixed amount of cash for a fixed number of the Company's own equity instruments are an equity instrument. Otherwise, they would be classified as derivative financial instruments, which are recognised at their fair values at the date of issue.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's financial liabilities are generally classified into other financial liabilities.

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised as deduction directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Financial instruments (Continued)

Financial liabilities and equity (Continued)

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured at their fair value at the end of each reporting periods. The resulting gain or loss is recognised in profit or loss immediately.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to directors and employees

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period with a corresponding increase in equity (share option reserve).

At the end of each reporting periods, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to share option reserve.

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to accumulated profit/losses.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Financial instruments (Continued)

Share-based payment transactions (Continued)

Equity-settled share-based payment transactions (Continued)

Share options granted to other participants

For share options granted to parties other than employees in exchange for services, they are measured at the fair values of the services received, unless fair value cannot be reliably measured, in which case the goods or services received are measured by reference to the fair value of the share options granted. The fair values of the services received are recognised as expenses with a corresponding increase in equity (share options reserve), and when the counterparties render services, unless the services qualify for recognitions of assets.

(r) Impairment losses on tangible and intangible assets

At the end of each reporting periods, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. In addition, intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

(s) Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Related parties

A related party is a person or entity that is related to the entity that is preparing its consolidated financial statements.

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the reporting entity or of a parent of the Group.

(b) An entity is related to the Group if any of the following conditions applies:

(i) the entity and the Group are members of the same group (which means that each parent, subsidiaries and fellow subsidiary is related to the others).

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of the group of which the other entity is a member).

(iii) both entities are joint ventures of the same third party.

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

(vi) the entity is controlled or jointly controlled by a person identified in (a).

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be excepted to influence, or be influenced by, that person in their dealings with the entity.

A related party transaction is a transfer of resources, services or obligations between the Group and a related party, regardless of whether a price is charged.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(a) Estimated useful lives and impairment loss for property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and identified impairment losses. The estimation of useful lives impacts the level of annual depreciation expenses recorded. Property, plant and equipment are evaluated for possible impairment on a specific asset basis or in groups of similar assets, as applicable. This process requires management's estimate of future cash flows generated by each asset or group of assets. For any instance where this evaluation process indicates impairment, the relevant asset's carrying amount is written down to the recoverable amount and the amount of the write-down is charged against the consolidated statement of profit or loss.

(b) Impairment loss for intangible assets

In connection with the carrying amount of intangible assets, the Group performs ongoing evaluation of the status of the underlying drugs and gaming projects concerned. Sensitivity analysis has been carried out on its assumptions regarding future market shares and anticipated margins on these drugs and gaming projects independently and the Group believes that adequate provision for impairment was made on the carrying amount of intangible assets. The situation will be closely monitored, and adjustments will be made in future periods, if future market activity indicates that such adjustments are appropriate.

(c) Impairment loss for debtors

The policy for making impairment loss on debtors of the Group is based on the evaluation of collectability and aging analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each debtor. If the financial conditions of debtors of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional impairment loss may be required.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

(d) Share-based payment expenses

The fair value of the share options granted to the Directors, employees and consultants determined at the date of grant of the respective share options is expensed over the vesting period, with a corresponding adjustment to the Group's option reserve. In assessing the fair value of the share options, the generally accepted option pricing models were used to calculate the fair value of the share options. The option pricing models require the input of subjective assumptions, including the expected dividend yield and expected life of options. Any changes in these assumptions can significantly affect the estimate of the fair value of the share options.

(e) Measurement of promissory note

On issue of promissory notes, the fair value is determined using a market rate for an equivalent loan and this amount is carried at amortised cost basis until extinguished on redemption or cancellation.

(f) Income taxes

The Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes the promissory note as disclosed in notes 23, cash and cash equivalents and equity of the Company, comprising issued share capital disclosed in note 25 and reserves as disclosed in consolidated statement of changes in equity. The management reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, the Group will balance its overall capital structure through the payment of dividends, new share issues or repurchase of shares as well as make new borrowings or repayment of existing borrowings. The Group's approach to capital management remained unchanged throughout the year.

6. FINANCIAL RISK MANAGEMENT

A. Financial risk, management objectives and policies

The Group's major financial instruments include debtors and deposits; cash and cash equivalents; creditors and accrued charges; amounts due to directors; other borrowings; obligations under finance leases and promissory note. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

Market risk

(a) Currency risk

Currency risk refers to the risk that movement in foreign currency rate will affect the Group's financial results and its cash flow. The management considers the Group is not exposed to significant foreign currency risk as the majority of its operations and transactions are denominated in the functional currencies of the Group entity. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. However, the Group monitors its foreign currency exposure and will consider hedging significant foreign currency exposure should the need arise.

(b) Interest rate risk

The Group's exposure to interest-rate risk arises from its bank deposits, other borrowings, obligations under finance leases and promissory note. The bank deposits bear interests at variable rates depending on the prevailing market condition. The other borrowings, obligations under finance leases and promissory note bear interests at fixed rates and therefore expose the Group to fair value interest rate risks.

The Group's result is not sensitive to changes in interest rate as the Group's other borrowings, obligations under finance leases and promissory note are at fixed interest rates and the interest income generated from bank deposits is insignificant.

Credit risk

The carrying amounts of debtors and deposits and cash and cash equivalents included in the consolidated statement of financial position represents the Group's maximum exposure to credit risk in relation to the Group's financial assets.

The Group's exposure to credit risk arising from trade debtors is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers.

At the end of the reporting period, the Group has a certain concentration of credit risk arising from trade debtors as 57% (2014: 73%) and 93% (2014: 94%) of the total trade debtors were due from the Group's largest customer and the five largest customers, respectively.

6. FINANCIAL RISK MANAGEMENT (Continued)

A. Financial risk, management objectives and policies (Continued)

Credit risk (Continued)

The credit quality of the counterparties in respect of debtors and deposits, is assessed by taking into account their financial position, credit history and other factors. Given the constant repayment history, the directors are of the opinion that the risk of default by these counterparties is low.

The credit risk on cash and cash equivalents is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies and the PRC large state-controlled banks.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The ultimate responsibility for liquidity risk management rests with the board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements.

The following table details the Group's remaining contractual maturity for its financial liabilities. For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Less than 1 year HK$'000	Within 1 and 2 years HK$'000	Within 2 to 5 years HK$'000	Total undiscounted cash flow HK$'000	Total carrying amount HK$'000
At 31 December 2015					
Creditors and accrued charges	**193,258**	**–**	**–**	**193,258**	**193,258**
Amounts due to directors	**3,535**	**–**	**–**	**3,535**	**3,535**
Obligations under finance lease	**66**	**–**	**–**	**66**	**65**
Promissory note	**–**	**94,000**	**–**	**94,000**	**77,158**
	196,859	**94,000**	**–**	**290,859**	**274,016**
At 31 December 2014					
Creditors and accrued charges	140,109	–	–	140,109	140,109
Amounts due to directors	3,347	–	–	3,347	3,347
Obligations under finance lease	132	65	–	197	188
Promissory note	–	–	94,000	94,000	67,642
	143,588	65	94,000	237,653	211,286

6. FINANCIAL RISK MANAGEMENT (Continued)

B. Fair value of financial assets and financial liabilities

The fair values of financial assets and financial liabilities are determined as follows:

– the fair values of financial assets and financial liabilities with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices and ask prices, respectively;

– the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions; and

– the fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

The carrying amounts of financial assets and financial liabilities reported in the consolidated statement of financial position approximate their fair value due to their immediate or short-term maturities.

C. Categories of financial instruments

	2015 **HK$'000**	2014 HK$'000
Financial assets		
Loan and receivables		
– debtors and deposits	**138,504**	133,261
– cash and cash equivalents	**237,390**	321,252
	375,894	454,513
Financial liabilities		
Other financial liabilities measured at amortised cost		
– creditors and accrued charges	**193,258**	140,109
– amounts due to directors	**3,535**	3,347
– obligations under finance leases	**65**	188
– promissory note	**77,158**	67,642
	274,016	211,286

7. TURNOVER AND SEGMENT INFORMATION

The Group's operating segments, based on information reported to the board of Directors, being the chief operating decision maker ("CODM"), for the purposes of resources allocation and assessment of segment performance. The Group's operating and reportable segments which are organised into business units based on their products and services are as follows:

Casino service	–	Provision of management services to casinos in Macau
Gaming system	–	Development, provision and sales of electronic gaming system

The Group monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Group financing (including finance costs) is managed on a group basis and is not allocated to operating segments.

The information regarding the Group's operating and reportable segment as provided to the Group's most senior-executive management for the purpose of resource allocation and assessment of segment performance for the years ended 31 December 2015 and 2014 is set out below.

(a) Business segments

For the year ended 31 December 2015

	Operating and reportable segments			
	Casino service HK$'000	Gaming system HK$'000	Unallocated HK$'000	Total HK$'000
Revenue				
Revenue from external customers	891,064	201,014	–	1,092,078
Segment results	(80,975)	(30,297)	(27,777)	(139,049)
Finance costs				(9,524)
Loss before tax				(148,573)

7. TURNOVER AND SEGMENT INFORMATION (Continued)

(a) Business segments (Continued)

As at 31 December 2015

	Operating and reportable segments			
	Casino service HK$'000	**Gaming system HK$'000**	**Unallocated HK$'000**	**Total HK$'000**
Assets				
Segment assets	**655,190**	**614,250**	**7,104**	**1,276,544**
Total assets				**1,276,544**
Liabilities				
Segment liabilities	**173,987**	**44,156**	**81,837**	**299,980**
Total liabilities				**299,980**
Other information				
Capital expenditures	**52,063**	**12,142**	**14**	**64,219**
Amortisation of intangible assets	**12,138**	**54,794**	**–**	**66,932**
Depreciation of property, plant and equipment	**41,858**	**13,515**	**1,226**	**56,599**
Impairment loss recognised in respect of amount due from an associate	**–**	**–**	**18**	**18**
Impairment loss on intangible assets	**–**	**67,280**	**–**	**67,280**

For the year ended 31 December 2014

	Operating and reportable segments			
	Casino service HK$'000	Gaming system HK$'000	Unallocated HK$'000	Total HK$'000
Revenue				
Revenue from external customers	1,032,205	160,083	–	1,192,288
Segment results	113,269	1,137	(25,870)	88,536
Finance costs				(8,758)
Loss on early redemption of promissory note				(34,890)
Profit before tax				44,888

7. TURNOVER AND SEGMENT INFORMATION (Continued)

(a) Business segments (Continued)

As at 31 December 2014

	Operating and reportable segments			
	Casino service HK$'000	Gaming system HK$'000	Unallocated HK$'000	Total HK$'000
Assets				
Segment assets	689,725	715,181	10,418	1,415,324
Total assets				1,415,324
Liabilities				
Segment liabilities	131,835	19,791	72,169	223,795
Total liabilities				223,795
Other information				
Capital expenditures	30,414	24,582	2,241	57,237
Amortisation of intangible assets	12,138	54,795	–	66,933
Depreciation of property, plant and equipment	37,038	11,260	1,016	49,314
Impairment loss recognised in respect of amount due from an associate	–	–	17	17
(Gain)/loss on disposal of property, plant and equipment	(4)	41	(127)	(90)

Note: Revenue reported above represented the revenue generated from external customers which did not include the intersegment sales of approximately HK$130,661,000 (2014: HK$421,000,000) during the year ended 31 December 2015 amongst two operating and reportable segments.

7. TURNOVER AND SEGMENT INFORMATION (Continued)

(b) Geographical segments

	Revenue		Non-current assets		Total assets		Capital expenditure	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Macau	**1,088,060**	1,192,288	**757,321**	885,728	**1,253,061**	1,404,905	**62,365**	53,802
Others countries and places	**4,018**	–	**4,932**	3,248	**23,483**	10,419	**1,854**	3,435
	1,092,078	1,192,288	**762,253**	888,976	**1,276,544**	1,415,324	**64,219**	57,237

8. OTHER INCOME

	2015	2014
	HK$'000	HK$'000
Bank interest income	**3,585**	1,730
Rental income	**3,249**	5,649
Sundry income	**5,363**	3,249
	12,197	10,628

9. FINANCE COSTS

	2015	2014
	HK$'000	HK$'000
Interests on:		
Other borrowings wholly repayable within five years	**–**	400
Obligations under finance leases wholly repayable within five years	**8**	16
Effective interests on:		
Promissory note (note 23)	**9,516**	8,342
	9,524	8,758

10. INCOME TAX EXPENSES/(CREDIT)

	2015 **HK$'000**	2014 HK$'000
Income tax expenses/(credit) comprise of:		
Current tax:		
Hong Kong Profits Tax	**–**	–
Macau Complementary Tax	**–**	–
Lump sum dividend tax	**331**	1,000
PRC Enterprise Income Tax	**15**	9
	346	1,009
Overprovision in prior year:		
Macau Complementary Tax	**(6)**	(10,662)
Deferred tax		
Current year	**–**	(12,000)
	340	(21,653)

(i) Hong Kong Profits Tax

Hong Kong Profits Tax is calculated at the rate of 16.5% (2014: 16.5%) on the estimated assessable profit for the year.

No provision for Hong Kong Profits Tax had been made as the Group did not generate any assessable profits in Hong Kong during both years.

(ii) PRC Enterprise Income Tax

For operating subsidiaries established in the PRC, PRC Enterprise Income Tax is calculated at the rate of 25% (2014: 25%) prevailing in the PRC for the year with certain tax preference.

(iii) Macau Complementary Tax

For operating subsidiaries established in Macau, Macau Complementary Tax is calculated at the rate of 12% (2014: 12%) prevailing in Macau for the year with certain tax preference.

Pursuant to a confirmation letter issued by the Macau Financial Service Bureau dated 7 January 2015, gaming related revenue generated from the service agreement signed between LT (Macau) Limited, a wholly-owned subsidiary of the Company, and Sociedade De Jogos De Macau, S.A. ("SJM") is not subject to Macau Complementary Tax since it is derived from SJM's gaming revenue, which gaming revenue is exempted pursuant to the terms of no. 2 of article 28 of the Law 16/2001 and the exemption granted by Dispatch no. 378/2011 of 23 November 2011.

10. INCOME TAX (EXPENSES)/CREDIT (Continued)

(iii) Macau Complementary Tax (Continued)

Pursuant to the Dispatch of the Macau Financial Services bureau dated 18 February 2015, LT (Macau) Limited, a wholly-owned subsidiary of the Company, is allowed to pay an annual lump sum dividend withholding tax of approximately MOP341,000 (equivalent to approximately HK$331,000) for each of the years ended 31 December 2012 through to 2016 as payment in lieu of Macau Complementary Tax otherwise due by the shareholders of LT (Macau) Limited on dividend distributions from gaming profits generated in relation to the operation of the casinos at Casino Kam Pek Paradise, Lisboa Casino and Casino Macau Jockey Club. Such annual lump sum tax payments are required regardless of whether dividends were actually distributed or whether LT (Macau) Limited has distributable profits in the relevant years. During the year ended 31 December 2015, provision for taxation of HK$331,000 (2014:HK$1,000,000) has been recognised which was charged to the consolidated statement of profit or loss.

(iv) Other countries tax

Taxation for overseas subsidiaries, except those incorporated in PRC and Macau, are charged at the appropriate current rate of taxation ruling in the relevant countries.

No provision for tax had been made as the Group suffer losses in other countries during both years.

(v) Reconciliation between taxation charge and accounting profit at applicable tax rates

The charge for the year that can be reconciled with the (loss)/profit before tax per consolidated statement of profit or loss is as follows:

	2015 **HK$'000**	2014 HK$'000
(Loss)/profit before tax	**(148,573)**	44,888
Tax at Macau Complementary Tax rate of 12% (note)	**(17,829)**	5,386
Tax effect of expenses not deductible for tax purpose	**1**	167
Tax effect of income not taxable for tax purpose	**(411)**	(27)
Tax effect of tax exemption granted to gaming related revenue	**(14,882)**	(40,447)
Tax effect of temporary differences not recognised	**39,640**	38,276
Overprovision in prior year	**(6)**	(10,662)
Tax effect of deferred tax recognised in respect of temporary differences	**–**	(12,000)
Lump sum dividend tax	**331**	1,000
Tax effect of different tax rates enacted by local authority	**(6,504)**	(3,346)
Income tax expenses/(credit)	**340**	(21,653)

Note: The Macau Complementary Tax rate of 12% for the years ended 31 December 2014 and 31 December 2015 represents the statutory tax rate of which the Group's operations conducted substantially in Macau through both years.

11. (LOSS)/PROFIT BEFORE TAX

	2015 **HK$'000**	2014 HK$'000
(Loss)/profit before tax has been arrived at after charging/(crediting):		
Auditors' remuneration	**935**	850
Cost of inventories recognised as expenses	**11,618**	5,951
Depreciation of property, plant and equipment	**56,599**	49,314
Operating lease rentals paid in respect of rented premises	**11,432**	10,877
Research and development *	**19,621**	14,274
Amortisation of intangible assets	**66,932**	66,933
Impairment loss recognised in respect of amount due from an associate	**18**	17
Impairment loss on intangible assets (note 16(c))	**67,280**	–
Gain on disposal of property, plant and equipment	**–**	(90)
Staff costs		
– Directors' emoluments (note 12)	**26,001**	28,850
– Other staff costs		
– Salaries and other benefits	**109,967**	91,391
– Retirement benefit scheme contributions	**1,154**	1,029
Total staff costs	**137,122**	121,270

* Research and development expenditure includes HK$15,468,000 (2014: HK$13,002,000) relating to staff costs, depreciation and operating lease rentals paid which are included in the respective total amounts disclosed separately above.

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Directors' emoluments

The emoluments of each director were as follows:

Year ended 31 December 2015

Name	Fees HK$'000	Salaries and other benefits HK$'000	Accommodation benefits HK$'000	Retirement benefits scheme contributions HK$'000	Discretionary bonus HK$'000	Total HK$'000
Executive directors						
Mr. Jay Chun	–	12,000	1,491	12	–	13,503
Mr. Shan Shiyong, alias, Sin Sai Yung	–	12,000	–	18	–	12,018
Mr. Hu Liming	–	120	–	–	–	120
Independent non-executive directors						
Mr. Li John Zongyang	120	–	–	–	–	120
Ms. Tang Kiu Sam Alice	120	–	–	–	–	120
Mr. Kai-Shing Tao	120	–	–	–	–	120
Total	360	24,120	1,491	30	–	26,001

Year ended 31 December 2014

Name	Fees HK$'000	Salaries and other benefits HK$'000	Accommodation benefits HK$'000	Retirement benefits scheme contributions HK$'000	Discretionary bonus HK$'000	Total HK$'000
Executive directors						
Mr. Jay Chun	–	12,000	1,519	12	1,470	15,001
Mr. Shan Shiyong, alias, Sin Sai Yung	–	12,000	–	17	1,350	13,367
Mr. Hu Liming	–	120	–	–	–	120
Independent non-executive directors						
Mr. Frank Hu (note (i))	34	–	–	–	–	34
Mr. Li John Zongyang	120	–	–	–	–	120
Mr. Kuan Hin Meng (note (ii))	40	–	–	–	–	40
Ms. Tang Kiu Sam Alice (note (iii))	82	–	–	–	–	82
Mr. Kai-Shing Tao (note (iv))	86	–	–	–	–	86
Total	362	24,120	1,519	29	2,820	28,850

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

Directors' emoluments (Continued)

Notes:

(i) Mr. Frank Hu resigned as independent non-executive director of the Company on 13 April 2014.

(ii) Mr. Kuan Hin Meng resigned as independent non-executive director of the Company on 25 April 2014.

(iii) Ms. Tang Kiu Sam Alice was appointed as independent non-executive director of the Company on 25 April 2014.

(iv) Mr. Kai-Shing Tao was appointed as independent non-executive director of the Company on 13 April 2014.

No director waived or agreed to waive any emoluments during the two years ended 31 December 2015 and 2014.

Employees' emoluments

The five highest paid individuals in the Group during the year included two (2014: two) directors whose emoluments are reflected in the analysis presented above. The remaining three (2014: three) individuals, include three (2014: three) senior management personnel, whose emoluments are set out below:

	2015 HK$'000	2014 HK$'000
Salaries and other benefits	**7,655**	7,877
Retirement benefit scheme contributions	**15**	15
	7,670	7,892

Their emoluments were within the following band:

	2015 Number of individuals	2014 Number of individuals
0 to HK$1,000,000	**–**	1
HK$1,000,001 to HK$1,500,000	**1**	1
HK$1,500,001 to HK$2,000,000	**1**	–
HK$4,500,001 to HK$5,000,000	**1**	–
HK$5,500,001 to HK$6,000,000	**–**	1

During the two years ended 31 December 2015 and 2014, no emoluments were paid by the Group to any of the Directors or the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

13. DIVIDENDS

No interim dividend for the six months ended 30 June 2015 (2014: HK2 cents per share) was declared and approved.

The Directors do not recommend the payment of final dividend for the year ended 31 December 2015 (2014: HK5 cents per share).

14. (LOSS)/EARNINGS PER SHARE

The calculation of the basic and diluted (loss)/earnings per share is based on the following data:

	2015 **HK$'000**	2014 HK$'000
For the purpose of calculating basic (loss)/earnings per share		
(Loss)/profit for the year attributable to the owners of the Company	**(165,192)**	58,443
For the purpose of calculating diluted (loss)/earnings per share		
(Loss)/profit for the year attributable to the owners of the Company	**(165,192)**	58,443

	2015	2014
Number of shares		
Issued ordinary shares at 1 January	**1,057,445,315**	1,025,181,315
Effect of exercise of share options and warrants	**–**	34,996,438
Effect of repurchase of share	**(2,381,578)**	(1,486,268)
Weighted average number of ordinary shares for the purpose of calculating basic and diluted (loss)/earnings per share	**1,055,063,737**	1,058,691,485

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost					
At 1 January 2014	163,336	140,631	33,930	2,987	340,884
Additions	19,086	32,762	3,215	2,174	57,237
Disposals	(5)	–	(364)	(1,304)	(1,673)
Transfer to inventories	–	(6,434)	–	–	(6,434)
Exchange realignments	(15)	–	(50)	–	(65)
At 31 December 2014 and 1 January 2015	182,402	166,959	36,731	3,857	389,949
Additions	31,471	28,179	4,569	–	64,219
Exchange realignments	(42)	–	(128)	–	(170)
At 31 December 2015	213,831	195,138	41,172	3,857	453,998
Accumulated depreciation and accumulated impairment loss					
At 1 January 2014	53,848	88,990	13,276	2,042	158,156
Provided for the year	26,975	16,548	5,246	545	49,314
Disposals	(5)	–	(311)	(1,304)	(1,620)
Transfer to inventories	–	(2,342)	–	–	(2,342)
Exchange realignments	(2)	–	(4)	–	(6)
At 31 December 2014 and 1 January 2015	80,816	103,196	18,207	1,283	203,502
Provided for the year	29,200	21,704	4,982	713	56,599
Exchange realignments	(19)	–	(20)	–	(39)
At 31 December 2015	109,997	124,900	23,169	1,996	260,062
Net carrying value					
At 31 December 2015	103,834	70,238	18,003	1,861	193,936
At 31 December 2014	101,586	63,763	18,524	2,574	186,447

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

The above items of property, plant and equipment are depreciated on a straight-line basis, at the following rates per annum:

Leasehold improvements	20% or over the remaining terms of the leases
Plant and machinery	10 – 20%
Furniture, fixtures and office equipment	15 – 20%
Motor vehicles	10 – 20%

As at 31 December 2015, motor vehicles of the Group which were subject to charges for securing obligations under finance leases had net carrying value of HK$56,000 (2014: HK$190,000).

16. INTANGIBLE ASSETS

	Patents – Biophar-maceutical products (note (a)) HK$'000	Macau Patent – Betting terminal system (note (b)) HK$'000	US Patent – Betting terminal system (note (c)) HK$'000	Total HK$'000
Cost				
At 1 January 2014, 31 December 2014, 1 January 2015 and 31 December 2015	4,705	182,066	657,535	844,306
Amortisation and impairment loss				
At 1 January 2014	4,705	40,459	29,680	74,844
Amortisation for the year	–	12,138	54,795	66,933
At 31 December 2014 and 1 January 2015	4,705	52,597	84,475	141,777
Amortisation for the year	–	12,138	54,794	66,932
Impairment loss (note (c))	–	–	67,280	67,280
At 31 December 2015	4,705	64,735	206,549	275,989
Net carrying amount				
At 31 December 2015	–	117,331	450,986	568,317
At 31 December 2014	–	129,469	573,060	702,529

16. INTANGIBLE ASSETS (Continued)

(a) It represents the exclusive rights to use certain technologies acquired for the manufacture of certain biopharmaceutical products which were fully amortised in prior years.

(b) The patent relates to a computerized system (the "System") for operating multi-gambling games. The System was installed in Casino Kam Pek Paradise and other casinos in Macau. The Group generates revenue from sharing net gaming win with casino owners under income-sharing agreements and distributing electronic gaming machines with the System in Macau.

The patent was acquired during the year 2010 from Mr. Jay Chun, the Chairman and an executive director of the Company, for a total consideration of HK$280,000,000 comprising cash of HK$30,000,000 and a promissory note of HK$250,000,000.

The fair value of the patent as at the acquisition date was determined at HK$288,000,000 by the Directors with reference to a valuation on the patent conducted by an independent professional valuer, Ample Appraisal Limited, under the income-based approach.

The cost of the patent was determined by the Directors and represents the sum of the cash consideration, the amortised cost of the promissory note at the acquisition date using the effective interest method (note 23) and the capitalised transaction cost of the issuance of the promissory note. The patent is amortised over its useful life of 15 years using the straight line method.

At the end of the reporting period, the Directors conducted an impairment assessment and consider that there was no impairment to the carrying amount of the patent, with reference to a valuation on the patent conducted by an independent professional valuer, International Valuation Limited, under the income-based approach.

(c) The amount represents various patents and patent applications in the U.S. of a computerized system (the "System") for operating multi gambling games. The Group generates revenue from the sale of electronic gaming machines with the System in the U.S..

The patent was acquired during the year 2013 from Mr. Jay Chun, the Chairman and an executive director of the Company, for a total consideration of HK$740,000,000 comprising cash of HK$60,000,000, a promissory note of HK$200,000,000 and consideration shares of HK$480,000,000.

The fair value of the patent as at the acquisition date was determined at HK$819,000,000 by the Directors with reference to a valuation on the patent conducted by an independent professional valuer, Ample Appraisal Limited, under the income-based approach.

The cost of the patent was determined by the Directors and represents the sum of the cash consideration, the amortised cost of the promissory note at the acquisition date using the effective interest method (note 23), the capitalised transaction cost of the issuance of the promissory note and issue price of consideration shares. The patent is amortised over its useful life of 12 years using the straight line method.

At the end of the reporting period, the Directors conducted an impairment assessment. With reference to a valuation on the patent conducted by an independent professional valuer, International Valuation Limited, under the income-based approach, the Directors recognised an impairment loss to the carrying amount of the patent of approximately HK$67,280,000 (2014: HK$Nil). The impairment losses have been included in the consolidated statement of profit or loss.

17. INTEREST IN AN ASSOCIATE

	2015 HK$'000	2014 HK$'000
Cost of unlisted investment in an associate	**21,672**	21,672
Share of post-acquisition losses and reserves	**(21,672)**	(21,672)
Amount due from an associate	**6,124**	6,106
Less: Impairment loss	**(6,124)**	(6,106)
	–	–

Particulars of the Group's associate as at 31 December 2015 are as follows:

Name of associate	Form of business structure	Place of incorporation	Principal place of operation	Issued and fully paid share capital	Proportion of ownership interest	Principal activity
LT3000 Online Limited	Incorporated	British Virgin Islands	Hong Kong	3,023,314 Ordinary shares of US$0.1 each	47.47%	Development and trading of computer hardware and software and provision of business consultancy

The amount due from an associate is unsecured and interest-free. During the year ended 31 December 2015, impairment loss of approximately HK$18,000 (2014: HK$17,000) was recognised and charged to the consolidated statement of profit or loss.

17. INTEREST IN AN ASSOCIATE (Continued)

Summarised financial information in respect of the Group's associate is set out below:

	2015 **HK$'000**	2014 HK$'000
At 31 December		
Total assets	**1,735**	1,739
Total liabilities	**(6,134)**	(6,116)
Net liabilities	**(4,399)**	(4,377)
Group's share of associate's net assets	**–**	–
Year ended 31 December		
Total revenue	**–**	–
Total loss for the year	**(22)**	(21)

The Group has not recognised loss for the year amounting to approximately HK$10,000 (2014: HK$10,000) for the Group's associate. The accumulated losses not recognised were approximately HK$2,291,000 (2014: HK$2,281,000).

18. INVENTORIES

	2015 **HK$'000**	2014 HK$'000
Trading goods	**87,220**	46,246

19. DEBTORS, DEPOSITS AND PREPAYMENTS

	2015 HK$'000	2014 HK$'000
Trade debtors	**78,461**	73,196
Less: Impairment loss	**(287)**	(287)
	78,174	72,909
Deposits	**61,018**	56,173
Other debtors and prepayments	**50,489**	29,768
	189,681	158,850

Trade debtors at the end of the reporting period comprise amounts receivables from the share of gaming wins and sales of electronic gaming system. No interest is charged on the trade debtors.

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.

The Group normally allows a credit period of 30 days and 90 to 180 days to its gaming partners and trade debtors, respectively. The Directors consider that the Group's credit policy is consistent with the gaming industry practice in Macau.

An ageing analysis of the trade debtors net of impairment loss recognised which is based on the date of billing at the end of the reporting period is as follows:

	2015 HK$'000	2014 HK$'000
Within 30 days	**56,528**	67,783
31 – 60 days	**4,955**	1,077
61 – 90 days	**3,214**	83
91 – 180 days	**9,376**	683
181 – 365 days	**2,202**	154
More than 365 days	**1,899**	3,129
	78,174	72,909

19. DEBTORS, DEPOSITS AND PREPAYMENTS (Continued)

Ageing of trade receivables which are past due but not impaired:

	2015 HK$'000	2014 HK$'000
Overdue by:		
1 – 30 days	**81**	969
31 – 60 days	**3,177**	83
61 – 90 days	**2,981**	75
91 – 180 days	**9,427**	626
181 – 365 days	**1,915**	136
More than 365 days	**1,899**	3,129
	19,480	5,018

The Group did not provide any allowance on the past due receivables as there has not been a significant change in credit quality and the amounts are still considered recoverable based on the historical experience. The Group does not hold any collateral over these balances.

20. CASH AND CASH EQUIVALENTS

	2015 HK$'000	2014 HK$'000
Deposits with other financial institutions	**1,280**	10,962
Cash at banks (note)	**174,095**	253,862
Cash chips in hand	**59,947**	55,131
Cash in hand	**2,068**	1,297
	237,390	321,252

Note: The bank balances carry interest at prevailing market rate for both years.

As at 31 December 2015, the cash and cash equivalents of the Group denominated in RMB amounted to approximately HK$3,940,000 (2014: HK$2,636,000), which is not freely convertible in the international market and its exchange rate is determined by the Government of the PRC.

21. CREDITORS AND ACCRUED CHARGES

	2015 HK$'000	2014 HK$'000
Trade creditors	**90,428**	50,367
Other creditors and accrued charges	**128,456**	101,229
	218,884	151,596

An ageing analysis of trade creditors, based on the date of receipt of goods is as follows:

	2015 HK$'000	2014 HK$'000
Within 30 days	**17,536**	44,013
31 – 60 days	**3,547**	937
61 – 90 days	**3,050**	1,261
91 – 365 days	**41,274**	2,761
Over 365 days	**25,021**	1,395
Trade creditors	**90,428**	50,367

22. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2015 HK$'000	2014 HK$'000	**2015 HK$'000**	2014 HK$'000
Within one year	**66**	132	**65**	123
More than one year, but not exceeding two years	**–**	65	**–**	65
	66	197	**65**	188
Less: Future finance charges	**(1)**	(9)	**–**	–
Present value of lease obligations	**65**	188	**65**	188
Less: Amounts due for settlement within one year (shown under current liabilities)			**(65)**	(123)
Amounts due for settlement after one year			**–**	65

22. OBLIGATIONS UNDER FINANCE LEASES (Continued)

It is the Group's policy to lease certain of its motor vehicles under finance leases. The average lease term is 5 years (2014: 5 years) and interest rates are fixed at the contract dates.

All obligations under finance leases are denominated in HK$.

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets.

23. PROMISSORY NOTE

	2015	2014
	HK$'000	HK$'000
At 1 January	**67,642**	126,170
Interest charged (note 9)	**9,516**	8,342
Early redemption during the year (note (ii))	**–**	(66,870)
At 31 December	**77,158**	67,642

Notes:

(i) The promissory note is measured at amortised cost using the effective interest method with the effective interest rate at 13.36% per annum.

On 19 June 2013, the Group issued a promissory note with a principal amount of HK$200,000,000 to Mr. Jay Chun, the Chairman and an executive director of the Company, as part of the consideration for the Group's acquisition of patents and patent applications in the U.S. in relation to a betting terminal system. The promissory note is unsecured, non-interest bearing and has a maturity period of 4 years from the date of issue but can be repaid in whole or in part before maturity at the discretion of the Company. Early redemption of the promissory note shall be subject to discount of the outstanding principal amount as follows: 4% within the first year, 3% within the second year, 2% within the third year and 1% within the fourth year.

(ii) During the year ended 31 December 2015, the Company did not redeem any promissory note and the loss on early redemption of promissory note was nil. During the year ended 31 December 2014, the Company redeemed promissory note of principal amount of HK$106,000,000 and the loss on early redemption of promissory note was HK$34,890,000. Loss on early redemption of promissory note is the difference between the discounted repayment amount and the respective carrying amount at the date of redemption and is charged to the consolidated statement of profit or loss.

24. DEFERRED TAX LIABILITIES

The movements in deferred tax liabilities during the year are as follows:

	2015 HK$'000	2014 HK$'000
At 1 January	**–**	12,000
Credited to the consolidated statement of profit or loss	**–**	(12,000)
At 31 December	**–**	–

At 31 December 2015, the Group had unused tax losses of approximately HK$57,415,000 (2014: HK$57,415,000) available to offset against future taxable profits which may be carried forwards indefinitely. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams.

25. SHARE CAPITAL AND TREASURY SHARES

	Number of shares of HK$0.001 each		**Share capital**	
	2015 '000	2014 '000	**2015 HK$'000**	2014 HK$'000
Authorised:				
At the beginning and end of the year	**1,000,000,000**	1,000,000,000	**1,000,000**	1,000,000
Issued and fully paid:				
At the beginning of the year	**1,057,445**	1,025,181	**1,057**	1,025
Issue of shares on exercise of options and warrants (notes (i) and (ii))	**–**	38,800	**–**	39
Repurchase and cancellation of shares (note (iii))	**(3,824)**	(6,536)	**(4)**	(7)
At end of the year	**1,053,621**	1,057,445	**1,053**	1,057

25. SHARE CAPITAL AND TREASURY SHARES (Continued)

The movements in the authorised and issued share capital of the Company during both years are as following:

(i) Pursuant to a subscription agreement dated 10 August 2013, 45,500,000 unlisted warrants with nominal value of HK$59,150,000 were issued to Silver Coast Holdings Limited ("Silver Coast"). Silver Coast is entitled to subscribe for up to 45,500,000 new shares of the Company at the subscription price of HK$1.30 during the one-year subscription period commencing on 22 August 2013 and expiring on 21 August 2014. Details of the issue of unlisted warrants are set out in the Company's announcement dated 11 August 2013.

    No unlisted warrants were exercised to subscribe for shares of HK$0.001 each in the Company during the year ended 31 December 2015 (2014: 35,500,000 unlisted warrants). The Company did not have any outstanding unlisted warrants as at 31 December 2014 and 2015.

(ii) No share options granted were exercised to subscribe for shares of HK$0.001 each in the Company during the year ended 31 December 2015 (2014: 3,300,000 share options) and particulars are set out in note 27.

(iii) During the year ended 31 December 2015, pursuant to the general mandate given to the Directors, the Company repurchased 5,260,000 shares at prices ranging from HK$1.01 to HK$2.85 through the Stock Exchange at a total consideration of approximately HK$9,682,000 (2014: 6,536,000 shares at prices ranging from HK$2.87 to HK$2.99 per share at a total consideration of approximately HK$19,040,000). 3,824,000 repurchased share (2014: 6,536,000) were subsequently cancelled in 2015. This cancellation resulted in the decrease in issued share capital of approximately HK$4,000 (2014: approximately HK$7,000) and share premium of approximately HK$8,037,000 (2014: approximately HK$19,033,000).

    As at 31 December 2015, the Company held a total of 1,436,000 treasury shares, which were cancelled in January 2016.

All of the shares issued by the Company during both years rank pari passu with the then existing shares in all respects.

26. RESERVES

(i) Share premium account

Share premium represents premium arising from the issue of shares at a price in excess of their par value per share and is not distributable but may be applied in paying up unissued shares of the Company to be issued to the shareholders of the Company as fully paid bonus shares or in providing for the premiums payable on the repurchase of shares.

(ii) Special reserve

Special reserve represents the aggregate of:

– 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 account of LifeTec (Holdings) Limited, the subsidiary which was acquired by the Company pursuant to the group reorganisation in 1996; and

– the effects of the capital reduction, share premium cancellation and elimination of accumulated losses, took place in 1999 and 2013.

(iii) Share option reserve

The option reserve represents the fair value of the actual or estimated number of unexercised share options granted to employees and consultants of the Group recognised in accordance with the Group's accounting policy adopted for equity-settled share-based payments.

(iv) Warrants reserve

The warrants reserve represents the fair value of the unexercised warrants issued by the Group recognised in accordance with the Group's accounting policy adopted for equity instruments.

(v) Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the Group's accounting policy adopted for foreign currency transactions.

27. SHARE-BASED PAYMENTS

Equity-settled share option schemes

The share option scheme was adopted by the Company on 30 July 2007 (the "Scheme") for the purpose of providing incentives or rewards to the Eligible Participants for the contribution to the success of the Group's operations. The Scheme will expire on 29 July 2017.

Initially, the total number of shares in respect of which options may be granted under the Scheme must not in aggregate exceed 10% of the shares in issue as at 30 July 2007, being the date of adoption of the Scheme, without prior approval from the Company's shareholders. The total number of shares issued and to be issued upon exercise of the options granted to each Eligible Participant in any twelve-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of shares options in excess of this limit is subject to shareholders' approval in general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK$5 million, within any twelve-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 21 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than ten years from the date of the offer of the share options or the expiry date of the Scheme, if earlier.

The exercise price of the share options is determinable by the directors, but may not be less than the highest of (i) the Stock Exchange closing price of the Company' shares on the date of the offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the Company's shares on the date of the offer.

Share options do not confer rights on the holder to dividends or to vote at shareholders' meetings.

There was no share option outstanding under the Scheme during the year ended 31 December 2015 and no equity settled employees benefit (including directors' emoluments) was recognised for the year ended 31 December 2015.

27. SHARE-BASED PAYMENTS (Continued)

Equity-settled share option schemes (Continued)

Details of the movements in the Company's share options during the year ended 31 December 2014 are as follows:

Date of grant	Exercisable period	Exercise price per share HK$	Number of share options: Outstanding at 1 January 2014	Exercised during the year	Outstanding at 31 December 2014
Category: Employee					
29.01.2011	29.01.2011 to 28.01.2016	1.0000	1,650,000	(1,650,000)	–
Category: Consultants					
29.01.2011	29.01.2011 to 28.01.2016	1.0000	1,650,000	(1,650,000)	–
Total all categories			3,300,000	(3,300,000)	–
Exercisable at the end of the year					–
Weighted average exercise price (HK$)			1.00	1.00	–

3,300,000 share options granted were exercised during the year ended 31 December 2014 (note 25).

No equity settled employees benefit (including directors' emoluments) was recognised for the year ended 31 December 2014.

28. CONTINGENT LIABILITIES

At the end of the reporting period, the Company had the following significant outstanding litigation:

In 2012, the Company had been served with a summon issued by the Macau Judicial Base Court ("Tribunal Judicial de Base"), pursuant to which SHFL Entertainment (Asia) Limited (formerly known as Shuffle Master Asia Limited) ("SHFL Macau") has commenced injunction proceedings against the Company, its subsidiaries (i) LT Game Limited ("LT Game") (an entity which owns the global (including Macau) rights to use, distribute and maintain the material and equipment that uses the invention object of the Macau Invention Patent No. I/000150 ("Patent I/150") and the Macau Invention Patent No. I/000380 ("Patent I/380")), and (ii) Natural Noble Limited ("Natural Noble") (the owner of Patent I/380) and Mr. Jay Chun (the Chairman and Executive Director, the inventor and registered owner of Patent I/150) (collectively, the "Respondents") (the "Injunction").

The Injunction seeks orders to restrain, amongst others, the Respondents from, amongst other things, (i) making any representation or expression on any monopoly right over all and any solutions allowing players to play remotely in real time on a plurality of live games; and (ii) unfairly competing with SHFL Macau in any manner, amongst other ancillary petitions. Details of the Injunction and Macau First Instance Court decision are set out in the Company's announcement dated 1 November 2012 and 19 November 2013. Following the dismissal of the injunction filed by SHFL Macau by Macau First Instance Court, SHFL Macau appealed against the dismissal before the Macau Second Instance Court. On 12 June 2014, the Macau Second Instance Court confirmed the dismissal of the injunction by agreeing with the Macau First Instance Court decision.

As at the date of this report, the main lawsuit in relation to the violation of the Macau registered Patents I/150 and I/380 is pending. SHFL Macau contested against the lawsuit and requested the invalidation of the grant of the Patents I/150 and I/380.

The Directors believe that it will not have any material adverse impact on the Group's operations.

29. OPERATING LEASE COMMITMENTS

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2015 **HK$'000**	2014 HK$'000
Within one year	**53,046**	55,284
In the second to fifth year inclusive	**97,552**	129,972
	150,598	185,256

Leases relate to directors' quarters, warehouse facilities and office premises and are negotiated for average terms of one to five (2014: one to five) years.

30. CAPITAL COMMITMENTS

	2015 **HK$'000**	2014 HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
Acquisition of property, plant and equipment	**9,709**	9,859

31. RETIREMENT BENEFITS SCHEME

The Group operated a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of the relevant payroll costs to the scheme, which contribution is matched by employees.

As stipulated by the rules and regulations in the PRC, the Group contributes to the retirement funds scheme managed by local social security bureau in the PRC. The Company contributes a certain percentage of the basic salaries of its employees to the retirement plan to fund the benefits.

The only obligation of the Group with respect to these retirement benefit schemes is to make the specified contributions. During the year ended 31 December 2015, the total retirement benefit scheme contributions charged to the consolidated statement of profit or loss amounted to approximately HK$1,184,000 (2014: HK$1,058,000).

32. RELATED PARTY TRANSACTIONS

(a) Other than the related party transactions and balances disclosed elsewhere in the consolidated financial statements, the Group had the following significant transactions with its related parties during the year:

	Directors		**Associate**		**Related party**	
	2015	2014	**2015**	2014	**2015**	2014
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Sales of electronic gaming system (note (a))	**–**	–	**–**	–	**491**	–
Consultancy fee paid to (note (b))	**–**	–	**–**	–	**920**	678
Salaries and other benefits paid to (notes (c) & (d))	**–**	–	**–**	–	**4,946**	5,655
Amount due from (note (e))	**–**	–	**6,124**	6,106	**–**	–
Amounts due to (note (f))	**3,535**	3,347	**–**	–	**–**	–

32. RELATED PARTY TRANSACTIONS (Continued)

(a) (Continued)

Notes:

(a) The related party is wholly-owned by the brother in law of Mr. Jay Chun, the Chairman and executive director of the Company.

(b) The related party is the brother in law of Mr. Jay Chun, the Chairman and executive director of the Company.

(c) The transactions were charged at predetermined amounts agreed between the parties involved.

(d) The related party is the spouse of Mr. Jay Chun, the Chairman and executive director of the Company.

(e) The amount due is unsecured, interest-free and have no fixed terms of repayments. During the year ended 31 December 2015, impairment loss of approximately HK$18,000 (2014: HK$17,000) was recognised and charged to the consolidated statement of profit or loss. The amount due from an associate is set out in note 17.

(f) The amounts due are unsecured, interest-free and have no fixed terms of repayment.

(b) Key Management Personnel Remuneration

	2015 **HK$'000**	2014 HK$'000
Short-term employee benefits	**33,626**	36,698
Retirement benefits scheme contributions	**45**	44
	33,671	36,742

Further details of directors' remuneration are included in note 12.

33. SUBSIDIARIES

Particulars of the Group's subsidiaries as at 31 December 2015 are as follows:

Name of subsidiary	Place of incorporation/ registration	Issued and fully paid share capital/ registered capital	Class of share	Proportion of ownership interest				Principal activities
				Group's effective interest		Held by the Company	Held by subsidiaries	
				2015	2014			
Asset Manager Enterprises Limited	Hong Kong	HK$100	Ordinary	100%	100%	–	100%	Inactive
Bright View Limited	Macau	MOP25,000	Ordinary	100%	100%	–	100%	Inactive
Business Leader Global Limited	British Virgin Island	US$1	Ordinary	82%	82%	–	82%	Inactive
Central Jade Limited	Macau	MOP25,000	Ordinary	100%	100%	–	100%	Provision of management services
Century Force Limited	Macau	MOP25,000	Ordinary	100%	100%	–	100%	Inactive
Cherish Card Limited	British Virgin Islands	US$1	Ordinary	100%	100%	–	100%	Provision of management services
CTI Limited	Hong Kong	HK$10	Ordinary	70%	70%	–	70%	Inactive
Dream World Limited	Macau	MOP25,000	Ordinary	100%	100%	–	100%	Provision of management services
Elite Limited	Macau	MOP25,000	Ordinary	100%	100%	–	100%	Inactive
Fairy Host Limited	British Virgin Islands	US$1	Ordinary	82%	82%	–	82%	Investment holding
Forte Corporate Limited	British Virgin Islands	US$1	Ordinary	100%	100%	–	100%	Inactive
Fresh Idea Global Limited	British Virgin Islands	US$1	Ordinary	100%	–	–	100%	Investment holding
Fun Success Limited	Macau	MOP25,000	Ordinary	82%	82%	–	82%	Inactive
Fun Union Limited	British Virgin Islands	US$1	Ordinary	82%	82%	–	82%	Investment holding
Good Note International Limited	British Virgin Islands	US$1	Ordinary	100%	100%	–	100%	Inactive
Grand Step Limited	Macau	MOP25,000	Ordinary	100%	100%	–	100%	Inactive

33. SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ registration	Issued and fully paid share capital/ registered capital	Class of share	Proportion of ownership interest				Principal activities
				Group's effective interest		Held by the Company	Held by subsidiaries	
				2015	2014			
Grant Future Limited	Macau	MOP25,000	Ordinary	**100%**	100%	–	100%	Provision of management services
Great Fun Limited	Macau	MOP25,000	Ordinary	**100%**	100%	–	100%	Provision of management services
Hop Fu (Hong Kong) Trading Company Limited	Hong Kong	HK$10,000	Ordinary	**100%**	100%	–	100%	Inactive
Huge Rise Limited	Macau	MOP25,000	Ordinary	**100%**	100%	–	100%	Provision of management services
Joy Advance Limited	Macau	MOP25,000	Ordinary	**82%**	82%	–	82%	Inactive
Joy Union Limited	Macau	MOP25,000	Ordinary	**100%**	100%	–	100%	Provision of management services
LifeTec (Holdings) Limited	British Virgin Islands	HK$141,176	Ordinary	**100%**	100%	100%	–	Investment holding
LifeTec Enterprise Limited	Hong Kong	HK$100	Ordinary	**100%**	100%	–	100%	Provision of management and consulting services
LT (Macau) Limited	Macau	MOP1,000,000	Ordinary	**100%**	100%	–	100%	Provision of management service and operation of electronic gaming system
LT Capital Limited	British Virgin Islands	US$1	Ordinary	**100%**	100%	–	100%	Investment holding
LT Card Limited	British Virgin Islands	US$1	Ordinary	**100%**	100%	–	100%	Investment holding
LT Champion Limited	British Virgin Islands	US$1	Ordinary	**100%**	100%	–	100%	Inactive
LT Cleaning Limited	Macau	MOP25,000	Ordinary	**100%**	100%	–	100%	Inactive
LT Cosmos Limited	British Virgin Islands	US$1	Ordinary	**100%**	100%	–	100%	Investment holding
LT Equity Limited	Hong Kong	HK$100	Ordinary	**100%**	–	–	100%	Inactive
LT Finance Limited	British Virgin Islands	US$1	Ordinary	**100%**	100%	–	100%	Investment holding
LT Game (Canada) Limited	Canada	CAD100	Ordinary	**100%**	100%	–	100%	Market development
LT Game Australia PTY Limited	Australia	AUD100	Registered Capital	**100%**	100%	–	100%	Market development

33. SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ registration	Issued and fully paid share capital/ registered capital	Class of share	Proportion of ownership interest				Principal activities
				Group's effective interest		Held by the Company	Held by subsidiaries	
				2015	2014			
LT Game Limited	British Virgin Islands	US$5,000	Ordinary	**82%**	82%	–	82%	Development, supply and sales of electronic gaming system
LT Game Pachinko Limited	British Virgin Islands	US$1	Ordinary	**82%**	82%	–	82%	Inactive
LT Harvest Limited	Macau	MOP25,000	Ordinary	**100%**	100%	–	100%	Provision of management services
LT Hengqin Development Limited	Macau	MOP1,000,000	Ordinary	**100%**	100%	–	100%	Inactive
LT Jewellery Limited	Macau	MOP25,000	Ordinary	**100%**	100%	–	100%	Inactive
LT Legend Limited	British Virgin Islands	US$1	Ordinary	**100%**	100%	–	100%	Provision of management services
LT Link Limited	Hong Kong	HK$100	Ordinary	**100%**	–	–	100%	Inactive
LT Mart Gift Limited	Macau	MOP25,000	Ordinary	**100%**	100%	–	100%	Provision of management services
LT Smart Limited	British Virgin Islands	US$1	Ordinary	**82%**	82%	–	82%	Inactive
LT Trade Solutions Limited	British Virgin Islands	US$1	Ordinary	**100%**	100%	–	100%	Investment holding
LT Union Limited	British Virgin Islands	US$1	Ordinary	**100%**	100%	–	100%	Investment holding
Luck Access Limited	Macau	MOP25,000	Ordinary	**100%**	100%	–	100%	Provision of management services
Natural Noble Limited	British Virgin Islands	US$1	Ordinary	**100%**	100%	–	100%	Investment holding
New Wahdo Customer Service Limited	Macau	MOP25,000	Ordinary	**100%**	100%	–	100%	Provision of management services
Profit Express Limited	Macau	MOP25,000	Ordinary	**100%**	100%	–	100%	Inactive
Rich Yield Limited	Macau	MOP25,000	Ordinary	**100%**	100%	–	100%	Inactive
Shenzhen Caijing Software Technology Co., Ltd (note (a))	PRC	RMB500,000	Registered capital	**100%**	100%	–	100%	Software development
Sinofame Global Limited	British Virgin Islands	US$1	Ordinary	**82%**	82%	–	82%	Inactive

33. SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ registration	Issued and fully paid share capital/ registered capital	Class of share	Proportion of ownership interest				Principal activities
				Group's effective interest 2015	Group's effective interest 2014	Held by the Company	Held by subsidiaries	
Smarter Global Limited	British Virgin Islands	US$1	Ordinary	**100%**	100%	–	100%	Inactive
Solution Champion Limited	British Virgin Islands	US$1	Ordinary	**100%**	100%	–	100%	Investment holding
Streetsteel Limited	Macau	MOP25,000	Ordinary	**100%**	–	–	100%	Inactive
Sunny Link Trading limited	Hong Kong	HK$2	Ordinary	**100%**	100%	–	100%	Inactive
Super Satisfaction Limited	British Virgin Islands	US$1	Ordinary	**82%**	82%	–	82%	Investment holding
Tech (Macau) Limited	Macau	MOP3,000,000 (note (c))	Ordinary	**82%**	82%	–	82%	Sales of electronic gaming system
Top General Renovation and Decoration Limited	Macau	MOP25,000	Ordinary	**100%**	100%	–	100%	Inactive
Top Growth Limited	Macau	MOP25,000	Ordinary	**100%**	100%	–	100%	Provision of management services
Top Ocean Limited	Macau	MOP25,000	Ordinary	**100%**	100%	–	100%	Provision of management services
Version Perfect Limited	Macau	MOP25,000	Ordinary	**100%**	100%	–	100%	Inactive
Virtue Power Limited	Macau	MOP25,000	Ordinary	**100%**	100%	–	100%	Inactive
Waldo Champion Limited	British Virgin Islands	US$1	Ordinary	**100%**	100%	–	100%	Investment holding
Waldo Customer Service Limited	British Virgin Islands	US$10	Ordinary	**100%**	100%	–	100%	Inactive
Waldo Service Limited	British Virgin Islands	US$5	Ordinary	**100%**	100%	–	100%	Investment holding
Waldo Sky Limited	British Virgin Islands	US$1	Ordinary	**100%**	100%	–	100%	Investment holding
Well Fortune Limited	Macau	MOP25,000	Ordinary	**100%**	100%	–	100%	Provision of management services
Wisdom Gate Limited	Macau	MOP25,000	Ordinary	**100%**	100%	–	100%	Inactive
Yip Hing Toys Manufactory Limited	Hong Kong	HK$100,000	Ordinary	**100%**	100%	–	100%	Inactive
Zhuhai Caijing Software Technology Co., Ltd (note (a))	PRC	RMB500,000	Registered capital	**100%**	100%	–	100%	Software development

33. SUBSIDIARIES (Continued)

Notes:

(a) The subsidiaries are established in the PRC as wholly-owned foreign enterprises.

(b) Apart from Zhuhai Caijing Software Technology Co., Ltd. and Shenzhen Caijing Software Technology Co., Ltd. which carry out their principal activities in the PRC; LT Game (Canada) Limited which carries out its principal activities in the U.S.; LT Game Australia PTY Limited which carries out its principal activities in Australia and subsidiaries incorporated in Macau which carry out their principal activities in Macau, the principal activities of the remaining subsidiaries are carried out in Hong Kong.

(c) During the year ended 31 December 2015, the share capital of Tech (Macau) Limited was increased from MOP 25,000 to MOP 3,000,000 with no change to the Group's effective interest.

Details of non-wholly-owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests.

Names of subsidiaries	Place of incorporation/ Principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Total comprehensive income (expense) allocated to non-controlling interests		Accumulated non-controlling interests	
		2015	2014	**2015**	2014	**2015**	2014
				HK$'000	HK$'000	**HK$'000**	HK$'000
LT Game Limited	British Virgin Islands/Macau	**18%**	18%	**17,485**	8,951	**43,288**	29,043
Fairy Host Limited	British Virgin Islands/Macau	**18%**	18%	**(2)**	(2)	**1,912**	1,914
Individually immaterial subsidiaries with non-controlling interests						**(2,870)**	(1,666)
						42,330	29,291

33. SUBSIDIARIES (Continued)

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests (the "NCI") is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	2015 HK$'000	2014 HK$'000
LT Game Limited		
NCI percentage	**18%**	18%
Current assets	**227,534**	130,698
Non-current assets	**35,215**	41,671
Current liabilities	**22,260**	11,022
Equity attributable to owners of the Company	**197,201**	132,304
Non-controlling interests	**43,288**	29,043
Total revenue	**256,621**	160,725
Total expenses	**159,481**	111,002
Profit for the year	**97,141**	49,723
Profit attributable to owners of the Company	**79,656**	40,772
Profit attributable to non-controlling interests	**17,485**	8,951
	97,141	49,723
Net cash inflow from operating activities	**90,773**	63,694
Net cash outflow from investing activities	**(6,768)**	(23,400)
Net cash outflow from financing activities	**(84,703)**	(51,918)
Net cash outflow	**(698)**	(11,624)

33. SUBSIDIARIES (Continued)

	2015 HK$'000	2014 HK$'000
Fairy Host Limited		
NCI percentage	**18%**	18%
Current assets	**7,902**	10,567
Non-current assets	**2,726**	70
Current liabilities	**1**	–
Equity attributable to owners of the Company	**8,715**	8,723
Non-controlling interests	**1,912**	1,914
Total revenue	**–**	–
Total expenses	**10**	9
Loss for the year	**(10)**	(9)
Loss attributable to owners of the Company	**(8)**	(7)
Loss attributable to non-controlling interests	**(2)**	(2)
	(10)	(9)
Net cash inflow from operating activities	**–**	23
Net cash outflow from investing activities	**–**	(23)
Net cash inflow (outflow) from financing activities	**–**	–
Net cash inflow (outflow)	**–**	–

34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2015 HK$'000	2014 HK$'000
Non-current assets			
Interests in subsidiaries	(i)	**942,942**	1,008,522
Current assets			
Prepayments and deposits		**277**	286
Cash and cash equivalents		**842**	1,812
		1,119	2,098
Current liabilities			
Other creditors and accrued charges		**750**	673
Amounts due to directors	(ii)	**377**	377
		1,127	1,050
Net current (liabilities)/assets		**(8)**	1,048
Total assets less current liabilities		**942,934**	1,009,570
Non-current liabilities			
Promissory note (note 23)		**77,158**	67,642
Net assets		**865,776**	941,928
Capital and reserves			
Share capital (note 25)		**1,053**	1,057
Treasury shares (note 25)		**(1,641)**	–
Reserves	(iii)	**866,364**	940,871
Total equity		**865,776**	941,928

The Company's financial statement were approved and authorised for issue by the Board of Directors on 30 March 2016 and signed on behalf of the Board by:

JAY CHUN
Director

TANG KIU SAM ALICE
Director

34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Notes:

(i) Interests in subsidiaries

	2015 HK$'000	2014 HK$'000
Unlisted shares, at cost	**942,942**	1,008,522

(ii) Amounts due to directors

The amounts due are unsecured, interest-free and have no fixed terms of repayment.

(iii) Reserves

	Share premium HK$'000	Special reserve HK$'000	Share options reserve HK$'000	Warrants reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At January 2014	903,651	141,191	1,893	952	(15,287)	1,032,400
Loss and comprehensive expenses for the year	–	–	–	–	(47,428)	(47,428)
Dividends paid (note 13)	–	–	–	–	(74,479)	(74,479)
Issue of shares upon the exercise of share options and warrants (note 25(i) and 25(ii))	52,256	–	(1,893)	(952)	–	49,411
Repurchase of shares (note 25(iii))	(19,033)	–	–	–	–	(19,033)
At 31 December 2014 and 1 January 2015	**936,874**	**141,191**	**–**	**–**	**(137,194)**	**940,871**
Loss and comprehensive expenses for the year	**–**	**–**	**–**	**–**	**(13,695)**	**(13,695)**
Dividend paid (note 13)	**–**	**–**	**–**	**–**	**(52,775)**	**(52,775)**
Repurchase of shares (note 25(iii))	**(8,037)**	**–**	**–**	**–**	**–**	**(8,037)**
At 31 December 2015	**928,837**	**141,191**	**–**	**–**	**(203,664)**	**866,364**

Financial Summary

	For the year ended 31 December				
	2011 HK$'000	2012 HK$'000	2013 HK$'000	2014 HK$'000	**2015** **HK$'000**
RESULTS					
CONTINUING OPERATIONS					
Turnover	464,582	728,954	1,030,455	1,192,288	**1,092,078**
(Loss)/profit before tax	38,169	148,422	103,789	44,888	**(148,573)**
Income tax (expenses)/credit	–	(26,206)	(11)	21,653	**(340)**
(Loss)/profit for the year from continuing operations	38,169	122,216	103,778	66,541	**(148,913)**
DISCONTINUED OPERATION					
Profit for the year from discontinued operation	1,167	21,093	–	–	**–**
(Loss)/profit for the year	39,336	143,309	103,778	66,541	**(148,913)**
Attributable to:					
Owners of the Company	35,543	126,698	96,733	58,443	**(165,192)**
Non-controlling interests	3,793	16,611	7,045	8,098	**16,279**
	39,336	143,309	103,778	66,541	**(148,913)**

ASSETS AND LIABILITIES

	At 31 December				
	2011 HK$'000	2012 HK$'000	2013 HK$'000	2014 HK$'000	**2015** **HK$'000**
Total assets	502,171	612,946	1,482,325	1,415,324	**1,276,544**
Total liabilities	(235,708)	(204,242)	(307,035)	(223,795)	**(299,980)**
Total equity	266,463	408,704	1,175,290	1,191,529	**976,564**