PARADISE ENTERTAINMENT LIMITED
滙彩控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code : 1180)

ANNUAL REPORT 2016

* For identification purpose only

Contents

Corporate Information

PLACE OF INCORPORATION

Bermuda

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-Executive Directors

Mr. LI John Zongyang
Mr. Kai-Shing TAO
Ms. TANG Kiu Sam Alice

REMUNERATION COMMITTEE

Mr. LI John Zongyang *(Chairman)*
Mr. Jay CHUN
Ms. TANG Kiu Sam Alice

NOMINATION COMMITTEE

Mr. Jay CHUN *(Chairman)*
Mr. LI John Zongyang
Ms. TANG Kiu Sam Alice

AUDIT COMMITTEE

Mr. LI John Zongyang *(Chairman)*
Mr. Kai-Shing TAO
Ms. TANG Kiu Sam Alice

AUTHORISED REPRESENTATIVES

Mr. Jay CHUN
Mr. CHAN Kin Man

COMPANY SECRETARY

Mr. CHAN Kin Man

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

BERMUDA PRINCIPAL REGISTRAR

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

HONG KONG SHARE REGISTRAR

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

HONG KONG LEGAL ADVISOR

DLA Piper Hong Kong

INDEPENDENT AUDITOR

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

PRINCIPAL BANKERS

Wing Lung Bank Limited
The Hongkong and Shanghai Banking
Corporation Limited
Industrial and Commercial
Bank of China (Macau) Limited
Luso International Banking Limited

Corporate Information

LISTING INFORMATION

Place of Listing

Main Board of The Stock Exchange of Hong Kong Limited

Stock Code

1180

Board Lot Size

4,000 Shares

INVESTOR RELATIONS

Tel:	(852) 2620 5303
Fax:	(852) 2620 6000
Email:	paradise.ir@hk1180.com

WEBSITE

www.hk1180.com

KEY DATES

Annual Results Announcement	29 March 2017
Book Close Dates for 2017 AGM	22 to 25 May 2017 (both days inclusive)
2017 AGM	25 May 2017

CORPORATE COMMUNICATIONS

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

Corporate Profile

The Company was incorporated in Bermuda on 3 December 1996 with its Shares listed on the Main Board of the Stock Exchange since 20 January 1997. The Company is the holding company of a diverse group of companies that are principally engaged in provision of casino management services, and development, sale and leasing of electronic gaming equipment and system.

The Group has been active in the Macau gaming market as a casino management service provider and a gaming equipment and system supplier since 2007. The Group is currently the sole casino management service provider to 2 stand-alone satellite casino properties in Macau. The Group is also a major gaming equipment and system supplier in Macau and overseas.

In 2007, the Group entered into a service contract with SJM for provision of casino management services and has since then positioned itself as a casino management service provider focusing on mass market patrons for various satellite casinos of SJM in Macau. In 2014, the Group entered into another service contract for provision of casino management service in a satellite casino of Galaxy in Macau. The Group sets itself apart from its peers by offering patrons affordable minimum bets which attract a large, diverse and loyal patron base. The Group's edge is made possible by leveraging technology to lower its operational costs and increase game efficiency and productivity.

On the other hand, the Group is one of the leading gaming equipment and system suppliers worldwide. The Group specialises in developing table game automation and innovative technologies that improve game efficiency and optimise operations. One of the Group's core products is the patented LMG system which has seen tremendous demand from Macau and overseas operators. The Group is also committed to investing in extensive research and development to create products that simplify game process, minimise labour costs, optimise game productivity and enhance player experience.

On 25 April 2016, the Group entered into the Agreement with IGT, pursuant to which the Group has agreed to grant to IGT the exclusive rights to make, have made, use, sell, offer for sale, import, license/sub-license, and otherwise exploit the Licensed Products worldwide (other than Macau), which involves the assignment and license of the Patents and associated technology in relation to the Licensed Products for the purpose of facilitating the exercise of the exclusive rights by IGT for a term of 15 years. Further details of the transaction were discussed in the section headed "Management Discussion and Analysis" of this annual report and were disclosed in the Company's announcement dated 26 April 2016 and the Company's circular dated 21 June 2016.

Chairman's Statement

2016 was a transformation year for both the Group and the Macau gaming market. Our management team has successfully executed the business strategies and we achieved solid results on the back of a challenging operating environment as the Macau gaming market coped with the economic and regulatory concerns in China.

The macro headwind is coming to an end. Macau's GGR has indicated a recovery from the third quarter of 2016 and continued to perform well into early 2017. We strongly believe in the long-term growth prospect of the Macau gaming market, particularly in the mass gaming segment as infrastructure improvements such as the Hong Kong-Zhuhai-Macao Bridge and the Macau Light Rapid Transit will continue to drive growth.

The Group's revenue increased by 6.5% year-on-year to HK$1,163.3 million in 2016 (2015: HK$1,092.1 million), while Adjusted EBITDA increased by 40.1% to HK$97.5 million (2015: HK$69.6 million). In 2016, for our gaming system segment, we saw remarkable demand of our flagship product – LMG terminal. We achieved a record breaking LMG terminal deployment in Macau and overseas markets in 2016.

In April 2016, the Group entered into a strategic agreement with IGT, a global leader in electronic gaming machine industry. The Group assigned and licensed the Patents and associated technology to IGT to receive a one-time non-refundable and non-creditable upfront payment of US$12.95 million (equivalent to approximately HK$101.01 million) and a 15-year earn-out payment for every Live ETG or RNG ETG machine deployment in the global market (other than Macau). With IGT's experience and global sales network, we can accelerate our ETG machines deployment into other international markets.

It is also important that the Group retains flexibility to take advantage of any opportunities arising in the dynamic gaming industry. The Group has a healthy balance sheet, with cash and cash equivalents of HK$370.8 million and net cash (being cash and cash equivalents less borrowings) of HK$279.0 million as at 31 December 2016. We will continue to look for potential opportunities in Macau and elsewhere to expand our business and increase our market share in the gaming industry.

Last but not the least, on behalf of the Board, I would like to thank the Shareholders, our banks, customers and other business partners for their continuous support. Most importantly, I would also like to take this opportunity to thank our executives and staff for their dedication and professionalism.

Jay Chun
Chairman and Managing Director

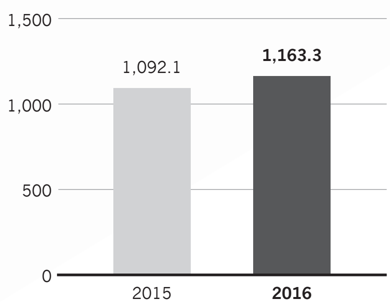
Hong Kong, 29 March 2017

Management Discussion and Analysis

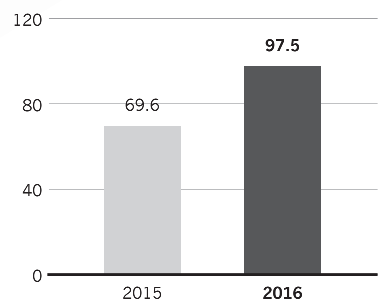
AT A GLANCE

Consolidated Figures

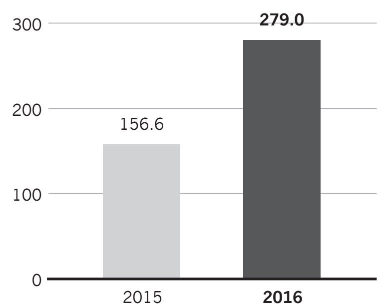
Revenue (HK$m)



Adjusted EBITDA (HK$m)



Net Cash* (HK$m)



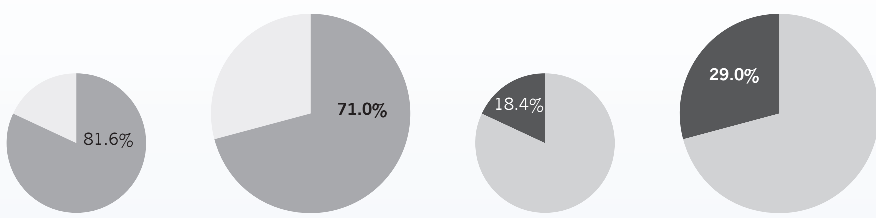
** : Being cash and cash equivalents less borrowings as at the end of the year*

Operating Segments

	Casino Service	Gaming System
Principal activities	Provision of casino management services in Macau. As a casino management service provider focusing on mass market patrons for various satellite casinos in Macau, the Group sets itself apart from its peers by offering patrons affordable minimum bets which attract a large, diverse and loyal patron base.	Development, sale and leasing of electronic gaming equipment and system. As one of the leading gaming equipment and system suppliers worldwide, the Group specialises in developing table game automation and innovative technologies that improve game efficiency and optimise operations.

	Casino Service 2015	Casino Service 2016	Gaming System 2015	Gaming System 2016
Revenue	HK$891.1m	**HK$826.4m**	HK$201.0m	**HK$336.9m**

Percentage to the Group's revenue (%)



Key information	Number of Gaming Tables Under Management 2015	2016	Number of Machines Sold 2015	2016
	81	**81**	236	**991**

	Number of Revenue Sharing LMG Terminal Deployment 2015	2016
	1,777	**1,680**

BUSINESS AND FINANCIAL REVIEW

Overview of Results

2016 was a transformation year for both the Group and the Macau gaming market. Revenue and earnings of the Group showed gradual improvement in tandem with the Macau gaming market. Separately, the Group continued to strengthen its relationship and align its interest with IGT, a global leader in electronic gaming machine industry. This has led to encouraging growth momentum on ETG machine deployment in the United States.

Total reported revenue of the Group for the year ended 31 December 2016 was HK$1,163.3 million, representing an increase of 6.5% over that of HK$1,092.1 million for the year ended 31 December 2015. The increase was a direct result of strong demand for electronic gaming equipment and system in the Macau gaming market. A breakdown of the contribution of revenue by segments for the years ended 31 December 2016 and 31 December 2015 is detailed below:

	2016 **HK$ million**	2015 HK$ million
Casino service	**826.4**	891.1
Gaming system:		
Sale of machines	**185.7**	53.1
Revenue sharing from LMG Terminals	**151.2**	147.9
	336.9	201.0
Total reported revenue	**1,163.3**	1,092.1

Adjusted EBITDA for the year ended 31 December 2016 was HK$97.5 million, representing an increase of 40.1% over that of HK$69.6 million for the year ended 31 December 2015. The increase was mainly due to the solid performance of the gaming system segment and effective cost control for the year ended 31 December 2016. The following table reconciles Adjusted EBITDA to the loss for the year:

	2016 **HK$ million**	2015 HK$ million
Loss for the year	**(355.1)**	(148.9)
Adjustments for:		
Interest income	**(3.9)**	(3.5)
Finance costs	**10.8**	9.5
Income tax expense	**3.4**	0.3
Depreciation of property, plant and equipment	**64.9**	56.6
Loss on disposal of property, plant and equipment	**6.7**	–
Amortisation for intangible assets	**27.3**	66.9
Impairment loss on intangible assets	**–**	67.3
Loss arising from assignment of intangible assets	**334.8**	–
Prepayment of machine costs recognised as expenses	**8.6**	21.4
Adjusted EBITDA	**97.5**	69.6

Remark: Adjusted EBITDA for the year ended 31 December 2015 was restated from HK$48.2 million as previously reported to HK$69.6 million with the adjustment of adding back of non-cash prepayment of machine costs recognised as expenses of HK$21.4 million to the loss for that year so as to conform with current year's presentation.

An analysis of Adjusted EBITDA by segments is as follows:

	2016 **HK$ million**	2015 HK$ million
Casino service	**(53.1)**	(9.0)
Gaming system	**177.7**	105.1
Sub-total	**124.6**	96.1
Unallocated corporate expenses	**(27.1)**	(26.5)
Adjusted EBITDA	**97.5**	69.6

The Adjusted EBITDA from casino service recorded a loss of HK$53.1 million for the year ended 31 December 2016, as compared to the loss of HK$9.0 million for the year ended 31 December 2015. The increase in loss from the casino service segment was mainly due to a decrease in total GGR of the tables under the Group's management for the year ended 31 December 2016 when compared to that for the year ended 31 December 2015. The Adjusted EBITDA from the gaming system segment was HK$177.7 million, representing an increase of 69.1% over that of HK$105.1 million for the year ended 31 December 2015. The increase of the Adjusted EBITDA from the gaming system segment was mainly due to strong demand of gaming machine deployment in Macau during the year ended 31 December 2016. The Adjusted EBITDA from operations of the Group excluding unallocated corporate expenses for the year ended 31 December 2016 was HK$124.6 million, representing an increase of 29.7% over that of HK$96.1 million for the year ended December 2015.

The Group's loss for the year ended 31 December 2016 was HK$355.1 million, as compared to the loss of HK$148.9 million for the year ended 31 December 2015. The loss for the year ended 31 December 2016 was mainly due to the loss arising from assignment of intangible assets of HK$334.8 million in relation to the assignment and license of the Patents and associated technology to IGT in April 2016 (without taking into account a 15-year earn-out payment for every Live ETG or RNG ETG machine deployment in the global market (other than Macau)).

Casino Service

The Group's revenue from the provision of casino management services for the year ended 31 December 2016 consisted of service income received from Casino Kam Pek Paradise, Casino Waldo and Casino Macau Jockey Club for mass gaming tables, LMG terminals and slot machines.

For the year ended 31 December 2016, revenue generated by the provision of casino management services contributed 71.0% to the total reported revenue of the Group, as compared to 81.6% recorded for the year ended 31 December 2015.

The following table sets forth data on the provision of casino management services for the years ended 31 December 2016 and 31 December 2015:

	For the year ended 31 December								
	2016				2015				
(Average no. of units)	**Kam Pek Paradise**	**Waldo**	***Macau Jockey Club**	**Total**	Kam Pek Paradise	Waldo	Macau Jockey Club	**Lisboa LMG Zone	Total
Traditional gaming tables	**37**	**26**	**–**	**63**	37	27	–	–	64
LMG tables	**10**	**4**	**4**	**18**	8	3	4	2	17
LMG terminals	**935**	**300**	**172**	**1,407**	898	300	172	234	1,604
Slot machines	**194**	**180**	**–**	**374**	194	139	–	–	333

* : *Since 1 January 2017, the Group has changed the provision of casino management services to revenue sharing from LMG at Macau Jockey Club*

** : *Since 1 January 2016, the Group has changed the provision of casino management services to revenue sharing from LMG at Lisboa LMG Zone*

As at 31 December 2016, the Group had a total of 81 (2015: 81) gaming tables under management.

For the year ended 31 December 2016, the Group recorded a revenue of HK$826.4 million from the casino service segment, representing a decrease of 7.3% over that of HK$891.1 million for the year ended 31 December 2015. The Group's casino market focuses on the mass market segment, and its targeted patrons come mostly from local and southern China regions. The decrease in revenue from the casino service segment in 2016 was mainly due to the lower same-day visitations to Macau and the macro headwind in China.

Management Discussion and Analysis

The following tables set out certain key operational data of mass gaming tables, LMG terminals and slot machines in the Group's two major casino operations for the years ended 31 December 2016 and 31 December 2015:

		Kam Pek Paradise		Waldo	
		For the year ended 31 December			
		2016	2015	**2016**	2015
Traditional gaming tables					
GGR	(HK$ million)	**654.7**	756.5	**382.6**	395.7
Gaming tables	(Average no. of tables)	**37**	37	**26**	27
Net win/table/day	(HK$ thousand)	**48.3**	56.0	**40.2**	40.2
LMG tables					
GGR	(HK$ million)	**511.8**	528.8	**95.1**	64.1
Terminals	(Average no. of terminals/tables)	**935/10**	898/8	**300/4**	300/3
Net win/terminal/day	(HK$)	**1,496**	1,613	**866**	585
Net win/LMG table/day	(HK$ thousand)	**139.8**	181.1	**65.0**	58.5
Total gaming tables					
GGR	(HK$ million)	**1,166.5**	1,285.3	**477.7**	459.8
Gaming tables	(Average no. of tables)	**47**	45	**30**	30
Net win/table/day	(HK$ thousand)	**67.8**	78.3	**43.5**	42.0
Slot					
GGR	(HK$ million)	**70.7**	75.6	**6.3**	3.8
Slot machines	(Average no. of units)	**194**	194	**180**	139
Net win/slot/day	(HK$)	**996**	1,068	**96**	75
Total GGR	**(HK$ million)**	**1,237.2**	1,360.9	**484.0**	463.6

Gaming System

The Group's revenue from gaming system segment consisted of income received from selling electronic gaming equipment and system as well as revenue sharing from LMG terminals in the Macau and overseas markets.

For the year ended 31 December 2016, revenue generated by the sale of machines and the revenue sharing from LMG terminals contributed 29.0% to the total reported revenue of the Group, as compared to 18.4% for the year ended 31 December 2015. The following table shows a breakdown of revenue from the gaming system segment for the years ended 31 December 2016 and 31 December 2015:

	2016 **HK$ million**	2015 HK$ million
Sale of machines	**185.7**	53.1
Revenue sharing from LMG terminals	**151.2**	147.9
Total revenue from gaming system	**336.9**	201.0

The gaming system segment realised a significant revenue from LMG deployment in 2016. The growth came from a mix of both sale and revenue sharing from LMG terminals. The revenue from the gaming system segment was approximately HK$336.9 million for the year ended 31 December 2016, a remarkable increase of 67.6% over that of HK$201.0 million for the year ended 31 December 2015.

Sale of Machines

The Group deployed 991 LMG terminals in the Macau and overseas markets for the year ended 31 December 2016, a record high of LMG terminal deployment. This was mainly due to strong demand from new Macau flagship casinos and the additional deployment at various casinos. The following table shows a breakdown of sale of machines for the years ended 31 December 2016 and 31 December 2015:

	For the year ended 31 December			
	2016		2015	
	No. of casino	**No. of LMG terminals**	No. of casino	No. of LMG terminals
Macau market	**6**	**893**	2	212
Overseas market	**4**	**98**	1	24
Total	**10**	**991**	3	236

The Group deployed a total of 893 LMG terminals at 6 casinos in Macau, namely Wynn Palace, The Parisian Macau and Galaxy Macau in Cotai, and Casino Diamond at Holiday Inn, Casino Babylon at the Macau Fisherman's Wharf and Casino StarWorld on the Peninsula, as at 31 December 2016. The Group also deployed 98 LMG terminals at 4 casinos in the overseas markets as at 31 December 2016.

Revenue Sharing from LMG Terminals

Revenue sharing from LMG terminals for the year ended 31 December 2016 recorded HK$151.2 million, representing an increase of 2.2% over that of HK$147.9 million for the year ended 31 December 2015. The following tables set out certain key operational data of LMG terminals and the revenue sharing for the years ended 31 December 2016 and 31 December 2015:

		For the year ended 31 December	
		2016	2015
No. of LMG terminals		**1,680**	1,777
Net win/terminal/day	(HK$)	**1,115**	1,024
Revenue sharing	(HK$ million)	**151.2**	147.9

The average daily GGR per LMG terminal improved 8.9% year-on-year from HK$1,024 in 2015 to HK$1,115 in 2016. In the beginning of 2016, Lisboa LMG Zone had reconfigured its gaming floor and retained 100 LMG terminals (from 234 LMG terminals). Meanwhile, Casino Kam Pek Paradise increased its number of LMG terminals from 898 to 935 units.

ETG Distribution from IGT

In April 2016, the Group entered into a strategic agreement with IGT, a global leader in electronic gaming machine industry. The Group assigned and licensed the Patents and associated technology to IGT to receive a non-refundable upfront payment of US$12.95 million (approximately HK$101.01 million) and a 15-year earn-out payment for every Live ETG or RNG ETG machine deployment in the global market (other than Macau).

As at 31 December 2016, IGT has deployed 252 Live ETG machines at 7 casinos in the United States, including the largest Live ETG machine installation at the Sands Bethlehem with a total of 150 Live ETG machines. Most of Live ETG machines deployed were under trial or testing period at the end of 2016. As such, revenue from such deployment would be recognised by the Group in 2017.

PROSPECTS

Macau reversed its 26-month gross gaming revenue slump in August 2016, and showed double digit year-on-year growth in the fourth quarter of 2016. The Macau gaming industry continued to perform well into early 2017 and the growth trajectory is expected to continue on the back of higher visitations due to infrastructure improvement.

The Group continues to innovate to offer premium gaming experience to the patrons, as well as higher operating efficiency to its customers. In September 2016, the Group deployed an advanced version of LMG terminal – "Fast Betting Terminal" at The Parisian Macau. It was an important milestone for the Group's product development pipeline. In October 2016, the Group was granted an exclusive distribution right from LT Game Japan Limited, a company which is incorporated in Japan and is principally engaged in the development and manufacture of gaming products, for their brand new mechanical slot products in Macau. The Group will continue to expand its range of electronic gaming products to cope with the rising demand in the Asia market.

International opportunities will continue to be one of the Group's focuses. It is a highly competitive industry with substantial resources and efforts required. As such, the Group entered into a strategic agreement with IGT, a global leader in electronic gaming machine industry, in April 2016. The Group has seen encouraging momentum from IGT distribution in the United States market, especially in Nevada, Pennsylvania and California State, during the year ended 31 December 2016. Undoubtedly, this strategic agreement with IGT will not only expedite the Group's penetration into the overseas markets, but also increase the sustainable revenue base of the Group.

Looking ahead, the Group remains cautiously optimistic and will continue to expand its existing businesses. The Group will also develop its product line further, catering not only to the Macau gaming market but the overseas gaming markets as well. As always, the Group pledges to seek and evaluate every opportunity and will strive to achieve long-term sustainable growth in order to maximise returns to the Shareholders.

LIQUIDITY AND FINANCIAL RESOURCES

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

As at 31 December 2016, the consolidated net assets of the Group amounted to HK$622.8 million, representing a decrease of HK$353.8 million or 36.2% from HK$976.6 million as at 31 December 2015. The decrease in consolidated net assets of the Group during the year ended 31 December 2016 was mainly due to the Group's loss of HK$355.1 million for the year ended 31 December 2016.

Cash and Cash Equivalents

As at 31 December 2016, cash and cash equivalents of the Group amounted to HK$370.8 million, including a total of approximately HK$205.8 million of cash and cash equivalents placed as fixed deposits at banks in Macau and Hong Kong with maturities ranging from 1 to 3 months. The fixed deposits are denominated in HK$, MOP and US$.

Borrowings and Gearing Ratio

As at 31 December 2016, the Group had outstanding unsecured and unguaranteed borrowings of HK$91.7 million, comprising promissory note of HK$88.0 million and amounts due to Directors of HK$3.7 million. The promissory note is unsecured, interest-free and repayable within one year. The amounts due to Directors are unsecured, interest-free and have no fixed terms of repayment.

The Group's gearing ratio (expressed as a percentage of borrowings over net assets) as at 31 December 2016 was 14.7% (2015: 8.3%). Total borrowings of the Group as at 31 December 2016 increased by HK$11.0 million while the net assets of the Group decreased by HK$353.8 million as compared to that as at 31 December 2015. As a result, the Group's gearing ratio increased by 6.4% to 14.7% as at 31 December 2016.

As at 31 December 2016, the Group had net cash (being cash and cash equivalent less borrowings) of HK$279.0 million (2015: HK$156.6 million).

Management Discussion and Analysis

CONTINGENT LIABILITIES

Particulars of the Group's significant contingent liabilities as at 31 December 2016 are set out in note 29 to the consolidated financial statements.

CAPITAL COMMITMENTS

Particulars of the Company's significant capital commitments as at 31 December 2016 are set out in note 31 to the consolidated financial statements.

FOREIGN EXCHANGE EXPOSURE

The majority of the Group's income and expenses and the Group's fixed deposits at banks are denominated in HK$ (the Group's functional currency), MOP and US$. HK$ is linked to US$ and the exchange rate between these two currencies has remained relatively stable over the past several years. MOP is pegged to HK$, and in many cases the two currencies are used interchangeably in Macau. Due to the stable exchange rates between HK$ and US$ and between HK$ and MOP, the Directors do not consider that any specific hedge for currency fluctuation is necessary.

CHARGES ON GROUP ASSETS

As at 31 December 2016, the Group did not have any assets pledged.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2016, the Group had 489 employees. The terms of employment of employees conform to normal commercial practice. The remuneration policy for the employees of the Group is principally set up by the Board and the management on the basis of the relevant employees' qualifications, competence, work performance, industry experience, relevant market trend and the Group's operating results etc. Discretionary bonuses are granted to employees based on merit and in accordance with industry practice. Other benefits including share options, retirement benefits, subsidised medical care, pension funds and training programmes are offered to eligible employees.

Profile of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Jay Chun, aged 52, is the Chairman and Managing Director of the Company. He is the chairman of the Nomination Committee and a member of the Remuneration Committee. Mr. Chun is a talented entrepreneur and manager. He possesses solid background in information technology and marketing, and over 26 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 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.

The discloseable interest of Mr. Chun in the Shares and underlying Shares under the provisions of Part XV of the SFO is set out in the section headed "Directors' and Chief Executive's Interests in Securities" under the Directors' Report of this annual report.

Mr. Shan Shiyong, alias, Sin Sai Yung, aged 53, is an executive Director. Mr. Shan 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 29 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 was the Chairman of the Board from May 1999 to July 2002.

The discloseable interest of Mr. Shan in the Shares and underlying Shares under the provisions of Part XV of the SFO is set out in the section headed "Directors' and Chief Executive's Interests in Securities" under the Directors' Report of this annual report.

Mr. Hu Liming, aged 52, 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 26 years of experience in corporate management, business development as well as sale and marketing. Mr. Hu obtained his bachelor's degree in engineering from Shanghai University of Science and Technology.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Li John Zongyang, aged 61, was appointed as an independent non-executive Director on 10 September 2007. He is the chairman of both the Audit Committee and the Remuneration Committee and a member of the Nomination Committee. Mr. Li 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 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.

Profile of Directors and Senior Management

Mr. Kai-Shing Tao, aged 40, was appointed as an independent non-executive Director on 13 April 2014. He is a member the Audit Committee. Mr. Tao 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.

Ms. Tang Kiu Sam Alice, aged 35, was appointed as an independent non-executive Director on 25 April 2014. She is a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee. Ms. Tang graduated with a bachelor of science degree in E-commerce from the Brunel University in London. Ms. Tang has more than 12 years of business development experience in gaming industry and comprehensive knowledge in gaming operation and products, strategic planning, sale and 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 and 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.

SENIOR MANAGEMENT

Ms. Feng Yi, Jenny, aged 52, is the Group's Casino General Manager. Ms. Feng holds a bachelor's degree in computer science from Shanghai University of Science and Technology. She has extensive experience in managing gaming business. Ms. Feng is the spouse of Mr. Jay Chun, an executive Director. Ms. Feng joined the Group in 2006.

Ms. Zhao Yi, aged 39, is the Group's 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. She has more than 14 years of experience in marketing. Ms. Zhao joined the Group in 2007.

Mr. Chan Kin Man, aged 41, is the Group's Chief Financial Officer and Company Secretary. Mr. Chan holds a bachelor's degree in business administration in accounting and finance from The University of Hong Kong. He has around 20 years of experience in accounting, auditing, financial advisory, corporate finance and corporate governance, particularly in the gaming and hospitality sectors. He is an associate of the Hong Kong Institute of Certified Public Accountants and a fellow of the Association of Chartered Certified Accountants. Mr. Chan joined the Group in February 2017.

The Board presents this annual report and the audited consolidated financial statements of the Company for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Principal activities of its principal subsidiaries are set out in note 34 to the consolidated financial statements.

BUSINESS REVIEW

A review of the business of the Group for the year ended 31 December 2016 which includes an analysis of the Group's performance using financial key performance indicators and a discussion on the Group's likely future business development, a description of the principal risks and uncertainties that the Group may be facing and a discussion on the Group's environmental policy and performance and the relationships with its key stakeholders are provided in the sections headed "Chairman's Statement", "Management Discussion and Analysis", "Corporate Governance Report" and "Environmental, Social and Governance Report" of this annual report. The review forms part of the Directors' Report.

EVENTS AFTER THE REPORTING PERIOD

There is no important event affecting the Group that had occurred since 31 December 2016 up to the date of this annual report.

RESULTS AND FINANCIAL POSITION

The results of the Group for the year ended 31 December 2016 are set out in the consolidated statement of profit or loss and consolidated statement of other comprehensive income on pages 52 and 53, respectively.

The financial position of the Group as at 31 December 2016 is set out in the consolidated statement of financial position on pages 54 and 55.

SEGMENT INFORMATION

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

DIVIDEND

The Board did not recommend the payment of interim dividend for the six months ended 30 June 2016 (2015: nil). The Board also does not recommend the payment of final dividend for the year ended 31 December 2016 (2015: nil).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year ended 31 December 2016 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 ended 31 December 2016 are set out in note 27 to the consolidated financial statements.

Directors' Report

RESERVES

Movements in the reserves of the Group and the Company during the year ended 31 December 2016 are set out in the consolidated statement of changes in equity on page 56 and in note 35(iii) to the consolidated financial statements, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2016, the Company has no distributable reserve. However, if necessary conditions for share premium reduction are met in accordance with applicable laws and the Bye-laws of the Company, the Company's reserves available for distribution will become HK$849,320,000.

DIRECTORS AND SERVICE CONTRACTS

The members of the Board during the year ended 31 December 2016 and up to the date of this annual report were as follows:

Executive Directors:

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

Independent non-executive Directors:

Mr. Li John Zongyang
Mr. Kai-Shing Tao
Ms. Tang Kiu Sam Alice

In accordance with the Bye-laws of the Company, Mr. Jay Chun and Ms. Tang Kiu Sam Alice will retire and, being eligible, offer themselves for re-election at the 2017 AGM.

Each of Mr. Jay Chun and Ms. Tang Kiu Sam Alice 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.

MANAGEMENT CONTRACTS

No contract for the management and administration of the whole or any substantial part of the business of the Company had been entered into or existed during the year ended 31 December 2016.

PERMITTED INDEMNITY PROVISION

During the year ended 31 December 2016 and up to the date of this annual report, the Company has in force the permitted indemnity provisions which are provided for in the Bye-laws of the Company and in the directors and officers liability insurance maintained for the Group in respect of potential liability and costs associated with legal proceedings that may be brought against the Directors and the directors of the Group respectively.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 31 December 2016, 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 and its associated corporations, as recorded in the register maintained by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Name of Directors	Name of company/ associated corporation	Capacity/ nature of interests	Number of Shares[1]	Approximate aggregate percentage of interests[4]
Mr. Jay Chun	The Company	Beneficial owner	124,160	0.01%
	The Company	Interest of controlled corporation	630,836,720[2]	59.96%
			630,960,880	59.97%
Mr. Shan Shiyong, alias, Sin Sai Yung	The Company	Interest of controlled corporation	26,097,580[3]	2.48%

Notes:

(1) All interests in Shares stated above represent long positions.

(2) These Shares were held by August Profit Investments Limited, a company which is wholly-owned by Mr. Jay Chun, an executive Director.

(3) These Shares were held by Best Top Offshore Limited, a company which is wholly-owned by Mr. Shan Shiyong, alias, Sin Sai Yung, an executive Director.

(4) The percentage represents the number of Shares interested divided by the number of issued Shares as at 31 December 2016.

Save as disclosed above, 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 2016.

SHARE OPTIONS

On 30 July 2007, the Company adopted the Share Option Scheme for the purpose of providing incentives or rewards to the eligible participants for the contribution to the success of the Group's operations. Eligible participants of the Share Option Scheme include, among others, the Directors, including independent non-executive Directors, full-time or part-time employees, executives or officers of the Group, advisors, consultants, suppliers, customers and agents. The Share Option Scheme will expire on 29 July 2017.

Initially, the total number of Shares in respect of which options may be granted under the Share Option Scheme must not in aggregate exceed 10% of the Shares in issue as at 30 July 2007, being the date of adoption of the Share Option Scheme, without prior approval from the 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, 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 Shares of the Company as 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$1.00 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 grant of the share options.

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's 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.

No options were granted by the Company under the Share Option Scheme during the year ended 31 December 2016 (2015: nil). There was no share option outstanding under the Share Option Scheme during the year ended 31 December 2016 (2015: nil) and no equity settled employees benefit (including Directors' emoluments) was recognised for the year ended 31 December 2016 (2015: nil).

As at the date of this annual report, the total number of options available for issue under the Share Option 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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from the Share Option Scheme disclosed under the section headed "Share Options" and the contracts disclosed under the section headed "Directors' Interests in Transactions, Arrangements and Contracts of Significance" in this Directors' Report, at no time during the year ended 31 December 2016 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 ended 31 December 2016.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 31 December 2016, 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 a general meeting of the Company:

Name of company	Number of Shares[(1)]	Approximate percentage of interests[(3)]
August Profit Investments Limited[(2)]	630,836,720	59.96%
FIL Limited	83,896,000	7.97%

Notes:

(1) All interests in Shares stated above represent long positions.

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

(3) The percentage represents the number of Shares interested divided by the number of issued Shares as at 31 December 2016.

Save as disclosed above, as at 31 December 2016, 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.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

In January 2016, 1,436,000 Shares (repurchased in late 2015 and classified as treasury Shares as at 31 December 2015) were cancelled.

Save as disclosed, neither the Company nor its subsidiaries had purchased, sold or redeemed any of the Company's listed Shares during the year ended 31 December 2016.

PRE-EMPTIVE RIGHTS

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

ISSUE OF UNLISTED WARRANTS PURSUANT TO SPECIFIC MANDATE

On 22 September 2016, the Company entered into a subscription agreement (the "Subscription Agreement") with a subscriber, Sky Rock Development Limited, a company incorporated in the British Virgin Islands with limited liability and the entire issued share capital of which is legally and beneficially owned by Mr. Chang Wang ("Mr. Chang"). Mr. Chang, the sole shareholder and director of the subscriber, is well-known in the gaming and casino industry in Macau. Mr. Chang is the founder of Mocha Clubs, the largest slot hall operator in Macau. Under the Subscription Agreement, the Company has agreed to issue and the subscriber has agreed to subscribe for 50,000,000 unlisted warrants at the issue price of HK$0.03 per warrant, which entitled the holder of each warrant to subscribe for one ordinary Share of the Company at an exercise price of HK$1.40 per share (subject to adjustment) at any time during the one-year period commencing from the completion date. The Subscription Agreement was approved by the Shareholders in a special general meeting of the Company held on 24 October 2016. 50,000,000 unlisted warrants were issued on 31 October 2016 pursuant to the specific mandate and the issue price of HK$1,500,000 in total was received by the Company and applied to the Group's general working capital. Further details regarding the issue of unlisted warrants are set out in the Company's announcements dated 22 September 2016, 26 September 2016, 6 October 2016 and 24 October 2016, and the Company's circular dated 6 October 2016.

During the year ended 31 December 2016, no unlisted warrant was exercised to subscribe for Shares of the Company and there were 50,000,000 unlisted warrants outstanding as at 31 December 2016. If all of 50,000,000 unlisted warrants are exercised at the subscription price of HK$1.40 per share (subject to adjustment), an additional fund of HK$70 million (subject to adjustment) will be raised and expected to be used as the Group's general working capital.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2016, the aggregate amount of turnover attributable to the Group's five largest customers accounted for approximately 95.1% of the Group's total turnover and the turnover attributable to the Group's largest customer represented approximately 59.7% of the Group's total turnover.

For the year ended 31 December 2016, the aggregate amount of cost of sales and services attributable to the Group's five largest suppliers accounted for approximately 63.6% of the Group's total cost of sales and services and the cost of sales and services attributable to the Group's largest supplier represented approximately 24.5% of the Group's total cost of sales and services.

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.

MATERIAL ACQUISITIONS AND DISPOSALS

On 25 April 2016, the Group entered into the Agreement with IGT, pursuant to which the Group has agreed to grant to IGT the exclusive rights to make, have made, use, sell, offer for sale, import, license/sub-license, and otherwise exploit the Licensed Products worldwide (other than Macau), which involves the assignment and license of the Patents and associated technology in relation to the Licensed Products for the purpose of facilitating the exercise of the exclusive rights by IGT. Further details of the transaction were disclosed in the Company's announcement dated 26 April 2016 and the Company's circular dated 21 June 2016.

CONNECTED TRANSACTIONS

The Group has entered into certain connected transactions, details of which are set out below:

(a) On 26 February 2016, the Company entered into a distributorship framework agreement (the "Distributorship Framework Agreement") with Mr. Linyi Feng ("Mr. Feng") for the sale and distribution of the certain gaming products 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, an 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. Pursuant to applicable percentage ratios (as defined under the Listing Rules) in respect of the annual transaction amount under the Distributorship Framework Agreement, the transactions contemplated under the Distributorship Framework Agreement are subject to the reporting, announcement and annual review requirements but exempt from the independent Shareholders' approval requirement under the Listing Rules.

Further details of the transactions are set out in the Company's announcement dated 29 February 2016.

The annual cap under the Distributorship Framework Agreement for each of the three years ending 31 December 2016, 31 December 2017 and 31 December 2018 is HK$50 million. The amount received/receivable by the Group from companies controlled by Mr. Feng under the Distributorship Framework Agreement for the year ended 31 December 2016 was HK$20.1 million.

(b) On 5 October 2016, LT View Limited, the lender, a wholly-owned subsidiary of the Company, entered into a loan agreement (the "Loan Agreement") to grant a loan of a principal amount of US$2,000,000 to LT Game Japan Limited ("LT Japan"), the borrower, a company which is incorporated in Japan and is principally engaged in the development and manufacture of gaming products, for a term of one year at an annual interest rate of 8%. The loan is unsecured and guaranteed by Mr. Pak Suil.

On 5 October 2016, LT Game, an 82%-owned subsidiary of the Company, entered into a distribution agreement (the "Distribution Agreement") with LT Japan pursuant to which LT Japan shall appoint LT Game as its distributor and grant an exclusive license to LT Game to market and distribute its gaming products to customers in Macau and a non-exclusive license worldwide (excluding Macau) for a term of three years commencing from 5 October 2016 to 4 October 2019.

LT Japan was a company owned as to 5.05% by the Group and 35.16% by Mr. Pak Suil (the guarantor under the Loan Agreement, who holds 18% shareholding in, and is a director of, LT Game, and thus a connected person at the subsidiary level of the Company under the Listing Rules), respectively. Therefore, LT Japan was a connected person at the subsidiary level of the Company under the Listing Rules.

The transaction contemplated under the Loan Agreement constitutes a connected transaction of the Company. Pursuant to applicable percentage ratios (as defined under the Listing Rules) in respect of the transaction amount under the Loan Agreement, the transaction contemplated under the Loan Agreement is subject to the reporting and announcement requirements but exempt from the independent Shareholders' approval requirement under the Listing Rules.

The transactions contemplated under the Distribution Agreement constitute continuing connected transactions of the Company. Pursuant to applicable percentage ratios (as defined under the Listing Rules) in respect of the annual transaction amounts under the Distribution Agreement, the transactions contemplated under the Distribution Agreement are subject to the reporting and announcement requirements but exempt from the independent Shareholders' approval requirement under the Listing Rules, and are also subject to the annual review requirement under the Listing Rules.

Further details of the transactions under the Loan Agreement and the Distribution Agreement are set out in the Company's announcement dated 5 October 2016.

The annual caps for (i) the maximum commission payable by LT Japan to the Group; and (ii) the maximum purchase price payable by the Group to LT Japan if the Group is a customer of the gaming products, under the Distribution Agreement for each of the four years ending 31 December 2016, 31 December 2017, 31 December 2018 and 31 December 2019 are HK$25 million, HK$50 million, HK$50 million and HK$50 million, respectively. Due to the delay in the provision of the gaming products by LT Japan to LT Game, there was no transaction carried out under the Distribution Agreement for the year ended 31 December 2016.

Following the completion of a reorganisation of LT Japan on 30 December 2016, LT Japan has become a wholly-owned subsidiary of another corporate (the "Corporate") and the Group and Mr. Pak Suil own 0.83% and 5.76% of the Corporate, respectively. Thereafter, LT Japan is no longer an associate of Mr. Pak Suil as defined under the Listing Rules and hence not a connected person at the subsidiary level of the Company. Accordingly, the transactions contemplated under the Distribution Agreement are no longer continuing connected transactions of the Company since 30 December 2016.

Pursuant to Rule 14A.55 of the Listing Rules, the independent non-executive Directors have reviewed the continuing connected transactions for the year ended 31 December 2016 above and have confirmed that the transactions have been entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Pursuant to Rule 14A.56 of the Listing Rules, the Board engaged the independent auditor of the Company to report on the continuing connected transactions of the Group. The independent auditor of the Company was engaged in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The independent auditor of the Company has reported to the Board and issued an unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed by the Group above in accordance with Rule 14A.56 of the Listing Rules. The connected transactions and continuing connected transactions above were also reported as the related party transactions in accordance with the Hong Kong Financial Reporting Standards in this annual report.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

Saved as disclosed under the section headed "Connected Transactions" in this Directors' Report and in note 33 to the consolidated financial statements, no transactions, arrangement and contracts 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 ended 31 December 2016.

EMOLUMENT POLICY

The emoluments of the executive Directors were decided by the Board as recommended by the Remuneration Committee having regard to a written emolument policy (which ensures a clear link to business strategy and a close alignment with the Shareholders' interest and current best practice), the Group's operating results, the individual performance of the executive Directors and the comparable market statistics. The independent non-executive Directors' fees are in line with market practice. No individual Director should determine his/her own remuneration.

Emolument package includes, as the case may be, fees, basic salaries, housing allowances, contribution to pension schemes, discretionary bonus relating to the financial results of the Group and individual performance, ad hoc rewards, share options and other competitive fringe benefits such as medical and life insurances. Details of the emoluments of the Directors and the five highest paid individuals of the Group are set out in note 12 to the consolidated financial statements.

CORPORATE GOVERNANCE

In the opinion of the Board, the Company has complied with the code provisions as set out in the CG Code throughout the year ended 31 December 2016 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 27 to 40.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE POLICIES

The Group is aware of the importance of environmental friendly and sustainable development. The Group strives to minimise wastes and consumption of resources such as electricity and water. The Group recognises this to be a continuous process of monitoring and improvement, and the Group seeks to look for environmental friendly practice in the Group's operations whenever possible. For further details, please refer to the Environmental, Social and Governance Report on pages 41 to 45.

CHANGES OF DIRECTORS' INFORMATION

The remuneration payable to Mr. Jay Chun, an executive Director, comprises basic salary, discretionary bonus and accommodation benefits. The remuneration of Mr. Jay Chun per annum has been decreased from HK$13,503,000 for the year ended 31 December 2015 to HK$13,272,000 for the year ended 31 December 2016. For more details, please refer to note 12 to the consolidated financial statements.

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, as at the date of this annual report, there is sufficient public float of not less than 25% of the Company's issued Shares as required under the Listing Rules.

FIVE YEAR FINANCIAL SUMMARY

A summary of the audited consolidated results and assets and liabilities of the Group for the last five financial years is set out on page 123 of this annual report.

INDEPENDENT AUDITOR

The consolidated financial statements of the Company for the year ended 31 December 2016 were audited by PAN-CHINA (H.K.) CPA LIMITED, who will hold office as independent auditor of the Company until the 2017 AGM.

On behalf of the Board

Jay Chun
Chairman and Managing Director

Hong Kong, 29 March 2017

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 the Shareholders.

In the opinion of the Board, the Company has complied with the code provisions of the CG Code set out in Appendix 14 to the Listing Rules throughout the year ended 31 December 2016 except for certain deviations disclosed herein.

COMPLIANCE WITH MODEL CODE FOR 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 ended 31 December 2016.

BOARD OF DIRECTORS

(a) Board Composition

Given the nature and business objectives 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, their respective biographical details and the relationships among the members of the Board and the senior management of the Company (if any) are set out under the section headed "Profile of Directors and Senior Management" of this annual report.

(b) Appointment and Re-election of Directors

The Bye-Laws of the Company contain provisions on the procedures of appointment and re-election of Directors.

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

(c) Directors' Attendance Records

During the year ended 31 December 2016, eight Board meetings, an annual general meeting and a special general meeting were held. The members of the Board and the attendance of each member at Board meetings and general meetings are as follows:

	Number of attendance/meetings		
Directors	**Board meetings**	**Annual general meeting held on 1 June 2016**	**Special general meeting held on 24 October 2016**
Executive Directors:			
Mr. Jay Chun *(Chairman and Managing Director)*	8/8	0/1	0/1
Mr. Shan Shiyong, alias, Sin Sai Yung	0/8	0/1	0/1
Mr. Hu Liming	0/8	0/1	0/1
Independent non-executive Directors:			
Mr. Li John Zongyang	8/8	1/1	0/1
Mr. Kai-Shing Tao	1/8	0/1	0/1
Ms. Tang Kiu Sam Alice	8/8	0/1	0/1

(d) Responsibilities and Delegations

The Board is responsible for the leadership, management and control of the Group, overseeing the Group's businesses, strategic decisions and performance, evaluating the performance of the Group and supervising the management. All Directors take decisions objectively in the interests of the Company.

In addition, the Board reserves the authority to make final decisions for all major matters of the Company, including approving and monitoring of all policy matters, overall strategies and budgets, risk management and internal control systems, dividend payout, preparation and release of financial information, material transaction (in particular those that may involve a conflict of interests), appointment of Directors and other significant financial and operational matters.

All Directors have timely access to all relevant information as well as the advice and services of the company secretary and the senior management of the Company, with a view to ensuring compliance with Board procedures and all applicable laws and regulations. Any Director may request independent professional advice in appropriate circumstances at the Company's expense, upon reasonable request made to the Board.

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

Approval has to be obtained from the Board prior to the entry into of any significant transactions by any of the Directors and/or the senior management of the Company on behalf of the Group. The Board has the full support of the executive Directors and the senior management of the Company to discharge its responsibilities and operations.

(e) Corporate Governance Functions

The Board is also responsible for performing the corporate governance duties set out in code provision D.3.1 of the CG Code.

During the year ended 31 December 2016, the Board had reviewed and monitored the Company's corporate governance practices, training and continuous professional development of Directors and the senior management of the Company, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code, the CG Code and disclosure in this Corporate Governance Report (including the board diversity policy and effectiveness of the risk management and internal control systems).

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

Pursuant to code provision E.1.2 of the CG Code, the Chairman of the Board should attend the annual general meeting. However, Mr. Jay Chun was unable to attend the annual general meeting held on 1 June 2016 as he was engaged in other commitments of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Board has met the requirements of Rules 3.10 and 3.10A of the Listing Rules of having a minimum of three independent non-executive Directors (representing at least one-third of the Board) with one of them possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received annual confirmation from each independent non-executive Director of his/her independence pursuant to the requirements of Rules 3.13 of the Listing Rules. The Company considers all independent non-executive Directors to be independent in light of the independence guidelines set out in the Listing Rules.

In particular, Mr. Li John Zongyang has served on the Board for more than 9 years. He is not involved in the daily management of the Company or in any relationships or circumstances which would interfere with the exercise of his independent judgment. He continues to demonstrate his ability to provide an independent, balanced and objective view to the affairs of the Company. The Company is satisfied that he remains independent notwithstanding the length of his service.

DIRECTORS' TRAINING AND PROFESSIONAL DEVELOPMENT

Each newly appointed Director will receive induction on the first occasion of his/her appointment so as to ensure he/she has appropriate understanding of the business and operations of the Group and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules, the CG Code and other regulatory requirements.

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

During the year ended 31 December 2016, the Directors complied with code provision A.6.5 of the CG Code and all Directors received regular briefings, updates and reading materials on the Group's business/operations/regulatory/corporate governance matters which are relevant to their duties and responsibilities. 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 ended 31 December 2016 to the Company.

COMMITTEES

The Board has established three committees, namely the Remuneration Committee, the Nomination Committee and the Audit Committee to assist the Board in overseeing particular aspects of the Company's affairs. All the Board committees should report to the Board on their decisions and recommendations made. The committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

All Board committees of the Company have been established with written terms of reference which are posted on the websites of the Stock Exchange and the Company.

Remuneration Committee

The Company has met the requirements of Rule 3.25 of the Listing Rules. The Remuneration Committee comprises a majority of independent non-executive Directors and is chaired by Mr. Li John Zongyang, an independent non-executive Director.

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

During the year ended 31 December 2016, the Remuneration Committee held one meeting. Members of the Remuneration Committee and the attendance of each member are as follows:

Directors	Number of attendance/ meeting
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 ended 31 December 2016, the Remuneration Committee had performed the following duties:

– assessed the performance of the executive Directors and the senior management of the Company; and

– reviewed and determined the remuneration of the executive Directors and the senior management of the Company and made recommendation to the Board on the remuneration of the independent non-executive Directors.

Pursuant to code provision B.1.5 of the CG Code, the annual remuneration of the senior management of the Company (including those set out in the section headed "Profile of Directors and Senior Management" in this annual report and Ms. Ho Suet Man Stella, who resigned on 5 February 2017, but excluding Mr. Chan Kin Man, who joined the Group on 6 February 2017) by bands for the year ended 31 December 2016 were as follows:

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

Details of the remuneration of each of the Directors for the year ended 31 December 2016 are set out in note 12 to the consolidated financial statements.

Nomination Committee

The Company has met the requirements of code provision A.5.1 of the CG Code. The Nomination Committee comprises a majority of independent non-executive Directors and is chaired by the Chairman of the Board.

The Nomination Committee is responsible for determining the policy for the nomination of Directors, reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board regularly and making recommendations to the Board on any proposed changes 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 recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors, in particular, the Chairman and the chief executive of the Company.

Corporate Governance Report

The Board has 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.

The Nomination Committee also conducts an annual review of the independence of independent non-executive Directors before confirming their independence status to the Board. The relevant independent non-executive Directors will abstain from participating in the assessments of their own independence. Particular consideration will be given in assessing the independence of those independent non-executive Directors who have been serving on the Board for more than 9 years and seeking re-election in an annual general meeting. Reasons will be given in the circular for the annual general meeting to explain why the Board believes those independent non-executive Directors are still independent and should be re-elected.

During the year ended 31 December 2016, the Nomination Committee held one meeting. Members of the Nomination Committee and the attendance of each member are as follows:

Directors	**Number of attendance/ meeting**
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

During the year ended 31 December 2016, the Nomination Committee had performed the following duties:

– reviewed the structure, size, composition and diversity of the Board to ensure that it has a balance of expertise, skills and experience and diversity of perspective appropriate to the requirements for the business of the Company;

– recommended the re-election of the retiring Directors at the Company's 2016 annual general meeting; and

– assessed the independence of all the independent non-executive Directors.

Audit Committee

The Company has met the requirements of Rule 3.21 of the Listing Rules. The Audit Committee comprises three independent non-executive Directors. 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. None of the members of the Audit Committee is a former partner of the independent auditor of the Company.

The Audit Committee is responsible for reviewing the financial information and reports of the Company, considering any significant or unusual items raised by the financial officers of the Company or the independent auditor of the Company before submission to the Board, reviewing the effectiveness of the financial reporting system, risk management and internal control systems of the Group and maintaining an appropriate relationship with the independent auditor of the Company.

During the year ended 31 December 2016, the Audit Committee held two meetings. Members of the Audit Committee and the attendance of each member are as follows:

Directors	Number of attendance/ meetings
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 ended 31 December 2016, the Audit Committee had performed the following duties:

– reviewed with the management and the independent auditor of the Company the audited consolidated financial statements, the results announcement and the annual report for the year ended 31 December 2015, the related accounting principles and practices adopted by the Group with recommendations to the Board for approval, and the relevant audit findings;

– reviewed with the management of the Company the unaudited consolidated financial statements, the results announcement and the interim report for the six months ended 30 June 2016 and the related accounting principles and practices adopted by the Group with recommendations to the Board for approval;

– reviewed the nature and scope of the audit for the year ended 31 December 2015, the reporting obligations and the work plan of the independent auditor of the Company, and recommended the re-appointment of the independent auditor of the Company;

– reviewed and discussed the financial reporting system, risk management and internal control systems of the Group with the management of the Company to ensure that the management of the Company has performed its duty to have effective systems. The review covered all material controls, including financial, operational and compliance controls and the discussion with the management of the Company 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.

In accordance with code provision C.3.3(e)(i) of the CG Code, the Audit Committee must meet, at least twice a year, with the independent auditor of the Company. However, during the year ended 31 December 2016, the Audit Committee met with the independent auditor of the Company once. The number of meetings between the Audit Committee and the independent auditor of the Company fell short of two times a year because of the conflicting schedules of the members of the Audit Committee, which rendered it difficult to arrange for such meetings.

REVIEW OF AUDITED CONSOLIDATED FINANCIAL STATEMENTS BY THE AUDIT COMMITTEE

The Audit Committee has reviewed with the management and the independent auditor the audited consolidated financial statements for the year ended 31 December 2016 and the related accounting principles and practices adopted by the Group.

INDEPENDENT AUDITOR AND ITS REMUNERATION

The statement of the independent auditor of the Company about their reporting responsibilities for the Company's financial statements for the year ended 31 December 2016 is set out in the section headed "Independent Auditor's Report" of this annual report.

The remuneration paid/payable to the independent auditor of the Company for the year ended 31 December 2016 is as follows:

Services rendered for the Company	HK$'000
Audit services	930
Non-audit services	
– financial consulting services	180
	1,110

ACCOUNTABILITY AND AUDIT

The Directors are responsible for preparation of financial statements, annual and interim reports, quarterly financial information, inside information announcements and other disclosures which give a true and fair view of the state of affairs, the results of operations and cash flows of the Group in compliance with accounting standards, the Listing Rules, legal and statutory requirements in relation to financial reporting. The senior management of the Company has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the financial information and position of the Company, which are put to the Board for approval.

In preparation of the consolidated financial statements for the six months ended 30 June 2016 and for the year ended 31 December 2016, the Directors have adopted suitable accounting policies and applied them consistently. The consolidated financial statements for the year ended 31 December 2016 have been prepared on a going concern basis. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

COMPANY SECRETARY

During the year ended 31 December 2016, the company secretary of the Company has taken no less than 15 hours of relevant professional trainings.

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 may request to convene a special general meeting. According to Bye-law 58 of the Bye-laws of the Company, Shareholders holding as 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, to require a special general meeting to be convened 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 after 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 place of business of the Company in Hong Kong for the attention of the company secretary of the Company.

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 place of business 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.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Company believes that effective communication with the Shareholders and its investors is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies. The Group also recognises the importance of transparent and timely disclosure of corporate information, which enables the Shareholders and its investors to make the best investment decision.

The Company maintains a website at "www.hk1180.com" as a communication platform with the Shareholders and its investors, where information and updates on the Company's business developments and operations and other information are available. Shareholders and investors may send written enquiries or requests to the Company as follows:

Address:	Unit C, 19/F, Entertainment Building, 30 Queen's Road Central, Hong Kong
Fax No.:	(852) 2620 5303
Email:	paradise.ir@hk1180.com

The Company continues to enhance communications and relationships with the Shareholders and its investors. Designated senior management of the Company maintains regular dialogue with institutional investors and analysts to keep them posted of the Company's developments. Enquiries from the Shareholders and its investors are dealt with in an informative and timely manner.

Besides, Shareholders' meetings provide an opportunity for communication between the Board and the Shareholders. Board members and appropriate senior staff of the Group are available at the meeting to answer any questions raised by the Shareholders.

MEMORANDUM OF ASSOCIATION AND BYE-LAWS OF THE COMPANY

During the year ended 31 December 2016, no amendment was made to the Memorandum of Association and the Bye-Laws of the Company.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges that it is their responsibility to ensure that the Company establishes and maintains appropriate and effective risk management and internal control systems (the "Systems"). The Systems are designed to manage rather than eliminate risks of failure to achieve business objectives, and can only provide reasonable, but not absolute, assurance against material misstatement or loss.

The control structure of the Group is as follows:

The Board	• ensures the maintenance of appropriate and effective Systems in order to safeguard the Shareholders' investment and assets of the Group; • defines management structure with clear lines of responsibility and limit of authority; and • determines the nature and extent of significant risk that the Company is willing to take in achieving the strategic objectives and formulates the Group's risk management strategies.
The Audit Committee	• oversees the Systems of the Group; • reviews and discusses with the management of the Company at least annually to ensure that the management of the Company has performed its duty to have the effective Systems; and • considers major findings on internal control matters and makes recommendations to the Board.
The management of the Company (includes heads of business units, departments and divisions)	• designs, implements and monitors the Systems properly and ensure the Systems are executed effectively; • monitors risks and takes measures to mitigate risks in day-to-day operations; • gives prompt responses to, and follows up the findings on, internal control matters raised by internal auditors (if any) or the independent auditor; and • provides confirmation to the Board on the effectiveness of the Systems.

In addition, the Group has engaged Mazars Corporate Recovery & Forensic Services Limited to perform certain agreed-upon procedures to assist the Board in reviewing the Group's internal control systems and compliance.

Risk Management

The risk management process includes risk identification, risk evaluation, risk management measures and risk control and review.

The management of the Company is entrusted with duties to identify, analyse, evaluate, respond, monitor and communicate risks associated with any activity, function or process within its scope of responsibility and authority. It endeavours to evaluate and compare the level of risk against predetermined acceptable levels of risk. For risk control and monitoring, it involves making decisions regarding which risks are acceptable and how to address those that are not. The management of the Company will develop contingency plans for possible loss scenarios. Accidents and other situations involving loss or near-loss will be investigated and properly documented as part of the effort to manage risks.

Certain significant risks have been identified through the process of risk identification and assessment. Such significant risks of the Group and their respective key strategies/control measures are set out below:

(a) Adverse changes and volatility in economic conditions globally (including the PRC and the United States) and adverse changes in laws, rules and regulations and policies and practices implemented by the governments of the relevant countries and regions (including the PRC, Macau and various states of the United States), which would have an adverse impact on the gaming and travel related activities in Macau and the demand for the electronic gaming equipment and system of the Group in the relevant countries and regions (in particular, Macau and the United States).

- To stay alert to changes in economic conditions globally and changes in laws, rules and regulations and policies and practices, and to adjust business strategic plans to cope with these changes;
- To expand the Group's business and to broaden the gaming patron base; and
- To control expenses and manpower or to re-allocate resources in an efficient manner without affecting the quality of the Group's products and services.

(b) Ever increasing competition in the gaming industry, in particular (i) due to the opening of more casinos and the upgrading of existing casinos by competitors (as well as increasing number of VIP rooms, gaming tables and machines at existing casinos) in Macau and other Asian countries (e.g. Malaysia, Singapore, Vietnam and Cambodia); and (ii) from other gaming equipment and system suppliers globally (in particular, those blue-chip global companies). No assurance that the growth of the gaming industry in Macau would increase in line with or outpace the supply of gaming tables and machines in Macau.

- To expand the Group's business and to broaden the gaming patron base;
- To improve marketing strategy and enhance promotions and publicities from time to time in order to encourage existing gaming patrons to come back to the Group's casinos and attract new patrons from around the world;

- To be responsive to the feedbacks of its customers on the electronic gaming equipment and system sold or leased and to customise its electronic gaming equipment and system according to the specific needs of its customers; and

- To collaborate with IGT, a global leader in electronic gaming machine industry, in distributing the electronic gaming equipment and system of the Group.

(c) Reliance on the concession contract between the Macau government and SJM which will expire on 31 March 2020 (pursuant to which Casino Kam Pek Paradise is licensed for operation), the concession contract between the Macau government and Galaxy which will expire on 26 June 2022 (pursuant to which Casino Waldo is licensed for operation), and the existing service agreements of the Group whereby the Group provides casino management services at Casino Kam Pek Paradise and Casino Waldo. Possibility of termination/non-renewal of, or unfavourable changes in the terms of, the concession contracts and/or the services agreements for whatever reasons.

- To stay alert to changes in laws, rules and regulations and policies and practices, and to adjust business strategic plans to cope with these changes; and

- To keep close communications with SJM and Galaxy in this respect.

(d) The possible infringement of the Patents by competitors and third parties, the expiry of the Patents (whereby competitors and third parties are no longer prohibited from using the Patents), and the fast changing technology rendering the Patents obsolete, which may result in a decrease in the value of the Patents and thereby a decrease in demand of the electronic gaming equipment and system of the Group (collectively the "Products"). High popularity of the Products in Macau does not mean the same level of popularity in other countries and regions.

- To monitor any infringement of the Patents and to take appropriate actions to protect its interest;

- To collaborate with IGT, a global leader in electronic gaming machine industry, to speed up the distribution of the electronic gaming equipment and system of the Group around the world;

- To continuously invest in research and development to keep pace with the fast-changing technology; and

- To modify the Products to meet the preference of gaming patrons in other countries and regions.

(e) Hacking, software and hardware errors and fraudulent manipulation of the Products, which may have an adverse impact on the reputation and profitability of the Group.

- To monitor and improve the built-in computerised features of the Products whenever necessary in order to safeguard against the risks of human errors and fraud.

(f) Failure to attract, retain and motivate key employees and consultants of the Group, in particular qualified executives with vast knowledge, experience and connections in the gambling industry and those for inventing new patents and technology.

- To offer competitive remuneration packages for the suitable candidates identified; and

- To offer options in the Shares of the Company to those key employees and consultants as and when the Board deems appropriate.

(g) No control over the performance of business partners, in particular original equipment manufacturers ("OEM") for the manufacture of the Products and IGT for the distribution of the Products around the world (excluding Macau), which may have an adverse impact on the quality, production capacity availability and delivery schedules of the Products.

- To work closely with OEM and IGT such that the Group can detect any problems at the earliest instance and adopt remedial measures promptly.

(h) Capital risk and financial risks as set out in notes 5 and 6 to the consolidated financial statements, respectively.

- To stay alert to such risks and to adjust business strategic plans to cope with such risks.

Internal Controls

The Board acknowledged that the management of the Company had been progressively implementing an adequate internal control system to ensure the effective functioning of the Group's operational, financial and compliance areas, including the following key measures, policies and procedures:

(a) Financial reporting management:

- Proper controls are in place for the recording of complete, accurate and timely accounting and management information;

- Regular reports on revenue and debtors' ageing and internal financial reports are prepared to the management of the Company which give a balanced and understandable assessment of the Group's financial performance;

- Timely updates on internal financial statements are provided to the Directors which give a balanced and understandable assessment of the Group's performance, position and prospects in sufficient details; and

- Annual audit by the independent auditor of the Company is carried out to ensure that the annual consolidated financial statements are prepared in accordance with generally accepted accounting principles, the Group's accounting policies and the applicable laws and regulations.

(b) Systems and procedures on disclosure of inside information: It is to ensure, with the assistance of an internal work team (if required), that any material information which comes to the knowledge of any one or more officers should be promptly identified, assessed and escalated (where appropriate) for the attention of the Board.

(c) Policies and practices on compliance with legal and regulatory requirements: It shall be reviewed and monitored regularly by the Board.

(d) Continuing connected transactions: The Audit Committee shall monitor, control and regularly review continuing connected transactions of the Company and ensure proper compliance with the Listing Rules and all other relevant laws and regulations.

The Board and the Audit Committee have reviewed the Group's Systems and are not aware of any material risks, deficiencies and issues that would have an adverse impact on the effectiveness and adequacy of the Systems and the operations of the Group.

Other than reviewing the Systems, the Audit Committee has also reviewed and is satisfied with the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions.

Environmental, Social and Governance Report

In accordance with the requirements set forth in Appendix 27-Environmental, Social and Governance Reporting Guide (the "ESG Guide") of the Listing Rules, the Group hereby presents the Environmental, Social and Governance report for the year ended 31 December 2016, covering the Group's principle business and operations in Macau as well as its headquarter in Hong Kong.

The Board is responsible for the Group's Environmental, Social and Governance ("ESG") strategy and reporting including evaluating and determining ESG-related risks and ensuring that appropriate and effective ESG risk management and internal control systems are in place. The Group has engaged the management and staff of the Group across the Group's key subsidiaries and functions to review their operations to identify relevant ESG issues to the Group. ESG issues which are considered as material to the Group' as well as to the internal key stakeholders are included in this ESG report.

A. ENVIRONMENTAL

The Group has established environmental policies for the Group's employees which covered the material environmental issues including emissions, use of resources and other environmental impact as described in the sections below. The Group also comply with relevant environmental laws and regulations and did not note any cases of material non-compliance during the year ended 31 December 2016.

A1 Emissions

Air Emissions

Since the Group is principally engaged in the provision of casino management services as well as the development, sale and leasing of electronic gaming equipment and system, no significant pollutants or hazardous wastes are discharged into the air or water due to its business nature. The Group's carbon emissions are also mainly generated from the use of energy.

Carbon Emissions

The main source of the Group's carbon emissions is the use of energy. The Group has developed various energy-saving initiatives to reduce its energy emissions. Please refer to the section headed "Use of Resources" below for further details.

The Group is also aware of the carbon footprint produced by business travels although the amount is not significant. As part of the Group's green policy, staff are encouraged to reduce business travel as possible. Telephone conference facilities are installed in the offices and some meetings by means of telephone conference have been conducted in lieu of physical conferences. In turn, physical travels have been minimised, and so as carbon emissions.

A. ENVIRONMENTAL (Continued)

A1 Emissions (Continued)

Waste Management

Waste generated from the Group's operation mainly consists of paper (e.g. consumption of paper in office).

In order to reduce waste, the Group advocates the policy "Reduce, Reuse and Recycle", and encourages its staff to reduce paper usage and recycle paper where possible. For example, the use of recycled papers and double-sided printing and photo-copying are adopted. Moreover, waste toners are recycled. On the other hand, in order to reduce waste plastic bottles (from bottled distilled water to casino players), there are water bars in the Group's casinos where hot water, distilled water dispenser and metallic cups are provided to casino players. Since the adoption of water bars, waste plastic bottles have been reduced drastically.

A2 Use of Resources

To reduce the Group's negative impact on the environment, the Group sets the policy for effective use of resources in order to protect the environment and make its operation more cost-efficient. The Group has implemented green office practices in order to minimise the use of resources like papers, electricity and water wherever possible. The Group's current green measures include double-sided printing, the use of energy-saving lightings such as LED, and reducing energy consumption by switching off idle lightings, computers and electrical appliances, etc. Collection boxes have been put in place to collect single-side used papers for reuse as draft papers and other scrap papers for recycling. In order to reduce consumption of water, there are water bars in the Group's casinos where hot water, distilled water dispenser and metallic cups are provided to casino players. Under such arrangement, water is consumed by patrons on an as-needed basis, as opposed to constraining patrons to take bottled water which may be beyond their needs. Since the adoption of water bars, consumption of water has been reduced drastically.

A3 The Environment and Natural Resources

The Group recognises the responsibility in managing the Group's impact on the environment. The Group shall assess the environmental risks of the Group's operations, and ensure the Group's compliance with relevant laws and regulations regularly.

Indoor Air Quality

In order to improve quality of air in the office and casinos, air-refreshers are in place. Moreover, in order to improve the quality of air in the Group's casinos, smoking lounges are set up in the casinos.

B. SOCIAL

B1 Employment

Employees are the greatest asset of the Group. The Group strives to attract, recruit, retain and train its employees. Employee handbooks have been established, with sets of policies to govern employees' affairs such as payroll, attendance, termination and rules of conduct. The Group's office in Hong Kong and Macau are in compliance with the relevant labour laws and regulations in Hong Kong and Macau, respectively.

The Group recognises the importance of maintaining a stable staff force for its continued success. Staff remuneration is determined by reference to personal qualifications, performance, relevant experience, responsibilities and market trends. Discretionary bonuses are granted to employees based on merit and in accordance with industry practice. Other benefits including share options, subsidised medical care, pension funds and sponsorship for external education and training programmes are offered to employees.

The Group respects cultural diversity and is committed to providing a working environment which is free from all forms of discrimination (i.e. age, religion, gender, pregnancy, marital status, disability, family status and race). Therefore, any employee dismissal due to discrimination or unlawful reasons is forbidden in the Group. Besides, opportunities for hiring, training and promotion are equal and open to all qualified candidates or employees and the Group has developed a systematic and objective evaluation mechanism to assess their performance based on qualifications, work experience, skills and abilities.

The Group strives to maintain the work-life balance of its employees by establishing fair and reasonable working hours and leave policy to ensure employees have sufficient time for rest and leisure.

The Group did not note any cases of material non-compliance regarding the Group's labour practices during the year ended 31 December 2016.

B2 Health and Safety

The Group strives to provide a safe working environment for all employees. Auxiliary facilities and protective equipment are provided to the employees in order to reduce the possibilities of injury. Training courses on fire extinguishing and escape exercises are held regularly. All cases of injury are required to be reported to the head office for assessment of the cause of injury, consideration of corresponding preventive measures and to ensure proper handling of the cases in compliance with relevant regulations.

The Group did not note any cases of material non-compliance in relation to health and safety laws and regulations during the year ended 31 December 2016.

B3 Development and Training

The Group strives to improve employee's knowledge and skills for discharging their duties at work and to make them valuable assets to the Group. For this reason, vocational training courses are provided to the employees. The Group also sponsors the employees for external training courses.

B. SOCIAL (Continued)

B4 Labour Standards

Anti-Child and Forced Labour

The Group strictly prohibits the use of child and forced labour in the Group's operations or activities. The Group's operations strictly comply with local labour laws and regulations. Forcing labour to work by means of physical punishment, abuse, involuntary servitude, peonage or trafficking is strictly forbidden. Employment of any person who is under the age as set forth by the local labour law is prohibited. The Group formally requires all job applicants to present their identity cards when they attend recruitment interviews.

The Group did not note any cases of material non-compliance with laws and regulations in relation to labour standards during the year ended 31 December 2016.

B5 Supply Chain Management

The Group promotes green and environmental friendly procurement in its operations. Suppliers using recycled materials and products made of recycled material are preferred, in order to mitigate the amount of waste produced. The suppliers are encouraged to align their ESG policies with that of the Group, including but not limited to:

– Provision of safe working environment;

– Prohibition of child and forced labour; and

– Fair wages and fair working environment without discrimination.

B6 Product Responsibility

Safety and Quality of Food

The Group operates staff canteens and restaurants serving the Group's employees, and casino patrons and other customers respectively. The Group believes that in order to operate its canteens and restaurants successfully, it is required to ensure that food being served there are safe for consumption and are of high quality. Therefore, the Group have implemented a series of food safety controls including but not limited to:

– All food materials are purchased from licensed suppliers and their food sources can be traced;

– All restaurants, canteens, food equipment and utensils are properly sanitised before use; and

– All food handlers are trained on food safety and personal hygiene before they perform their job duties.

B. SOCIAL (Continued)

B6 Product Responsibility (Continued)

Safety and Quality of Food (Continued)

Apart from the internal food safety controls, the Group's restaurants and canteens are also regularly inspected by the relevant authorities according to regulatory standards. The Group did not note any material incidents in relation to food safety during the year ended 31 December 2016.

Responsible Gaming

As a group engaged in the provision of casino management services, the Group is committed to promoting responsible gaming. Notice boards and posters are in place to improve the awareness of problem gambling among the Group's employees and to prevent problem gambling among the casino players.

Data Privacy

The Group understands the importance of data privacy. The Group is committed to protecting the privacy of its customers in the collection, processing and use of their personal data. The Group has adopted policies on consumer data protection in compliance with relevant laws and regulations. Training courses on data privacy and protection of data have been conducted. The Group did not note any cases of material non-compliance in relation to data privacy during the year ended 31 December 2016.

B7 Anti-corruption

The Group believes that honesty, integrity and fairness are of vital importance to its business operations. The Group does not tolerate corruption, bribery, money-laundering and other fraudulent activities in its operations. All employees of the Group are expected to observe the highest standards of ethical, personal and professional conduct.

Training on anti-money laundering, anti-bribery and anti-corruption are provided to employees. Moreover, there are whistle-blowing procedures stated in the staff handbook which provides a private communication channel to all staff to report suspicious fraudulent actions to the Group's management directly. Review of the effectiveness of the internal control systems is also conducted on a regular basis for prevention of corruption.

During the year ended 31 December 2016, the Group did not note any cases of material non-compliance with laws and regulations on money laundering or corruption.

B8 Community Investment

The Group demonstrates its care for society by giving back to the community. The Group strives to enhance the community's well-being and social services. The Group has sponsored various social and cultural activities. Moreover, the Group has set up a showroom known as "Street Steel-Heavy Metal Bike Gallery Macau" in Casino Kam Pek Paradise in Macau with more than 20 collectable and luxury motorbikes, which is free for public visit.

Independent Auditor's Report

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)

OPINION

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 52 to 122, which comprise the consolidated statement of financial position as at 31 December 2016, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Key audit matters identified in our audit are summarised as follows:

- Carrying values of intangible assets; and
- Assignment of intangible assets.

Key Audit Matter

Impairment of intangible assets

As explained in note 16(b) to the consolidated financial statements, the Group had recognised intangible assets represented by patents relating to the computerised system for operating multi-gambling games in Macau with the carrying amount of HK$105,194,000 as at 31 December 2016. The management of the Company performed an impairment assessment on these intangible assets and engaged an independent professional valuer in assisting them in determining the recoverable amount of the intangible assets under the income-based approach and no impairment loss was recognised for the year ended 31 December 2016.

The determination of the recoverable amount of the subject intangible assets includes a number of key assumptions that require significant judgement made by the management of the Company, amongst which, the estimation of the amounts of revenue in each of the years covered by the financial projection period is an area that requires the most significant judgement.

How our Audit Addressed the Key Audit Matter

We discussed with the management of the Company regarding whether indicators of impairment loss existed for the subject intangible assets and how it quantified the amount of impairment, if any.

We discussed with the management of the Company as well as the independent professional valuer engaged by the Company the valuation methodology, bases and assumptions used in determining the recoverable amounts of the intangible assets, assessed the reasonableness of the adopted methodology, bases and assumptions used.

In respect of observable inputs, we performed substantive testing to the sources. In respect of unobservable data used as inputs, especially related to the estimation of revenue, we discussed with the management of the Company and the valuer to understand and consider the reasonableness of the bases and data being used, including the adoption of growth rate for future revenue. We compared the external data (if any) searched by us against the data provided by the valuer.

We also compared the key estimates made by the management of the Company for prior year's impairment assessment with those for current year's impairment assessment to establish that the key assumptions on which the latest projections were based had been updated to take account of variances and other known current and past actual outcomes.

In addition, we engaged an external professional valuer to assist us in evaluating the appropriateness of the valuation performed by the valuer engaged by the Group.

Key Audit Matter (Continued)

Assignment of intangible assets

As explained in note 16(c) to the consolidated financial statements, the subsidiaries of the Company, namely Fresh Idea Global Limited ("FIGL"), Solution Champion Limited ("SCL") and LT Game Limited ("LT Game"), collectively, FIGL, SCL and LT Game are referred to as "LTG Parties", entered into a patent and technology assignment and license agreement (the "Agreement") for granting the exclusive rights to make, have made, use, sell, offer for sale, import, license/sub-license, and otherwise exploit any live electronic table game or random number generator electronic table game, mobile or online gaming application or associated system (collectively the "Licensed Products") worldwide (other than Macau), which involves the assignment and license of the U.S. Patents and associated technology in relation to the Licensed Products (the "Exclusive Rights") to IGT, an independent third party, being the assignee and the licensee under the Agreement. A one-time, non-refundable and non-creditable upfront payment of US$12,950,000 (equivalent to approximately HK$101,010,000, the "Upfront Payment") was paid by IGT for the grant of the Exclusive Rights. Besides, the Group is also entitled the earn-out payments (the "Earn-out Payments") according to the Agreement for the placements of certain Licensed Products (either transfer of ownership of products or not) based upon a flat fee per unit or a flat fee per day), after the assignment of intangible assets.

However, given that the future economic benefits flowing to the Group in the form of the Earn-out Payments could not be reliably estimated in term of amount, timing and duration, the directors of the Company decided to fully write down the remaining carrying amount of the intangible assets which amounted to HK$334,765,000.

We have identified the assignment of these significant intangible assets as a key audit matter because key management judgements are required for determination of the commercial substance of the arrangement, the formulation of the estimated amount and timing of the consideration. Also, the carrying amount of intangible assets written off in the consolidated financial statements and the assets assigned are significant to the recognition of loss resulting from the assignment of intangible assets to the Group.

How our Audit Addressed the Key Audit Matter (Continued)

We obtained and read the terms and conditions of the Agreement.

We discussed with the management of the Company the rationales for the Agreement, obtained the internal assessment on the Agreement and understood the procedure to control the receivable of the Earn-out Payments since the effective date of the Agreement.

We checked the receipt of the Upfront Payment and the statement from IGT in respect of Earn-out Payments as entitled by the Group pursuant to the relevant clauses stated in the Agreement.

We assessed the adequacy of the disclosure for the assignment of intangible assets and related disclosures in the notes to the consolidated financial statements.

INFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors of the Company are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company.

- Conclude on the appropriateness of the directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement director on the audit resulting in this independent auditor's report is Chan Kin Wai.

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

29 March 2017

Consolidated Statement of Profit or Loss

For the year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000 (reclassified)
Turnover	7	**1,163,347**	1,092,078
Cost of sales and services		**(709,592)**	(679,220)
Gross profit		**453,755**	412,858
Other income	8	**12,169**	12,197
Marketing, selling and distribution costs		**(205,507)**	(199,889)
Administrative and operating expenses		**(239,196)**	(230,003)
Amortisation for intangible assets	16	**(27,348)**	(66,932)
Impairment loss on intangible assets	16	**–**	(67,280)
Loss arising from assignment of intangible assets	16	**(334,765)**	–
Finance costs	9	**(10,856)**	(9,524)
Loss before income tax expense	10	**(351,748)**	(148,573)
Income tax expense	11	**(3,394)**	(340)
Loss for the year		**(355,142)**	(148,913)
(Loss)/profit for the year attributable to:			
– Owners of the Company		**(380,380)**	(165,192)
– Non-controlling interests		**25,238**	16,279
		(355,142)	(148,913)
Loss per share (HK cents)	14		
– Basic		**(36.1)**	(15.7)
– Diluted		**(36.1)**	(15.7)

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

Consolidated Statement of Other Comprehensive Income

For the year ended 31 December 2016

	2016 HK$'000	2015 HK$'000
Loss for the year	**(355,142)**	(148,913)
Other comprehensive expense, net of tax		
Items that may be reclassified subsequently to profit or loss:		
– Exchange differences on translation of financial statements of overseas operations	**(154)**	(355)
Total comprehensive expense for the year	**(355,296)**	(149,268)
Total comprehensive (expense)/income for the year attributable to:		
– Owners of the Company	**(380,535)**	(165,547)
– Non-controlling interests	**25,239**	16,279
	(355,296)	(149,268)

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

Consolidated Statement of Financial Position

As at 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
Non-current assets			
Property, plant and equipment	15	**128,582**	193,936
Intangible assets	16	**105,194**	568,317
Interest in an associate	17	**–**	–
Available-for-sale financial assets	18	**1,115**	–
Finance lease receivables	19	**18,274**	–
		253,165	762,253
Current assets			
Inventories	20	**70,577**	87,220
Debtors, deposits and prepayments	21	**221,009**	189,681
Cash and cash equivalents	22	**370,763**	237,390
		662,349	514,291
Current liabilities			
Creditors and accrued charges	23	**198,746**	218,884
Obligations under finance leases – due within one year	24	**–**	65
Promissory note	25	**88,013**	–
Amounts due to directors	33	**3,709**	3,535
Tax payable		**2,277**	338
		292,745	222,822
Net current assets		**369,604**	291,469
Total assets less current liabilities		**622,769**	1,053,722
Non-current liability			
Promissory note	25	**–**	77,158
Net assets		**622,769**	976,564

Consolidated Statement of Financial Position

As at 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
Capital and reserves			
Share capital	27	**1,052**	1,053
Treasury shares	27	**–**	(1,641)
Reserves	28	**554,147**	934,822
Equity attributable to owners of the Company		**555,199**	934,234
Non-controlling interests		**67,570**	42,330
Total equity		**622,769**	976,564

These consolidated financial statements on pages 52 to 122 were approved and authorised for issue by the Board of Directors on 29 March 2017 and signed on behalf of the Board by:

JAY CHUN
Director

TANG KIU SAM ALICE
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 2016

	Attributable to owners of the Company									
	Share capital HK$'000	Treasury shares HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Warrant 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 2015	1,057	–	936,874	119,612	–	21,556	83,139	1,162,238	29,291	1,191,529
(Loss)/profit for the year	–	–	–	–	–	–	(165,192)	(165,192)	16,279	(148,913)
Other comprehensive expense	–	–	–	–	–	(355)	–	(355)	–	(355)
Total comprehensive (expense)/income	–	–	–	–	–	(355)	(165,192)	(165,547)	16,279	(149,268)
Dividends paid (note 13)	–	–	–	–	–	–	(52,775)	(52,775)	–	(52,775)
Dividend to non-controlling interests of a subsidiary	–	–	–	–	–	–	–	–	(3,240)	(3,240)
Repurchase of shares (note 27)	(4)	–	(8,037)	–	–	–	–	(8,041)	–	(8,041)
Repurchase of shares but not yet cancelled (note 27)	–	(1,641)	–	–	–	–	–	(1,641)	–	(1,641)
At 31 December 2015 and 1 January 2016	1,053	(1,641)	928,837	119,612	–	21,201	(134,828)	934,234	42,330	976,564
(Loss)/profit for the year	–	–	–	–	–	–	(380,380)	(380,380)	25,238	(355,142)
Other comprehensive (expense)/income	–	–	–	–	–	(155)	–	(155)	1	(154)
Total comprehensive (expense)/income	–	–	–	–	–	(155)	(380,380)	(380,535)	25,239	(355,296)
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	1	1
Cancellation of shares repurchased (note 27)	(1)	1,641	(1,640)	–	–	–	–	–	–	–
Issuance of warrants (note 28(iii))	–	–	–	–	1,500	–	–	1,500	–	1,500
At 31 December 2016	1,052	–	927,197	119,612	1,500	21,046	(515,208)	555,199	67,570	622,769

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	2016 HK$'000	2015 HK$'000
Cash flows from operating activities		
Loss before income tax expense	**(351,748)**	(148,573)
Adjustments for:		
Finance costs	**10,856**	9,524
Interest income	**(3,919)**	(3,585)
Amortisation for intangible assets	**27,348**	66,932
Impairment loss on intangible assets	**–**	67,280
Loss arising from assignment of intangible assets	**334,765**	–
Bad debt written off	**875**	–
Prepayment of machine costs recognised as expenses	**8,607**	21,438
Impairment loss recognised in respect of amount due from an associate	**26**	18
Depreciation of property, plant and equipment	**64,942**	56,599
Loss on disposal of property, plant and equipment	**6,687**	–
Operating profit before movements in working capital	**98,439**	69,633
Decrease/(increase) in inventories	**16,643**	(40,974)
Increase in finance lease receivables	**(18,274)**	–
Increase in debtors, deposits and prepayments	**(40,823)**	(52,432)
(Decrease)/increase in creditors and accrued charges	**(20,084)**	67,549
Cash generated from operations	**35,901**	43,776
Income tax paid – overseas	**(1,457)**	(1,023)
Net cash generated from operating activities	**34,444**	42,753
Cash flows from investing activities		
Purchases of property, plant and equipment	**(10,519)**	(64,219)
Proceeds from disposal of property, plant and equipment	**4,141**	–
Acquisition of available-for-sale financial assets	**(1,115)**	–
Upfront payment received for assignment of intangible assets	**101,010**	–
Interest received	**3,919**	3,585
Net cash generated from/(used in) investing activities	**97,436**	(60,634)

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	2016 HK$'000	2015 HK$'000
Cash flows from financing activities		
Payment for repurchase of shares	–	(9,682)
Proceeds from issuance of warrants	1,500	–
Advances from directors	174	188
Repayment of obligations under finance leases	(65)	(123)
Interest paid on obligations under finance leases	(1)	(8)
Dividend paid	–	(56,015)
Net cash generated from/(used in) financing activities	1,608	(65,640)
Net increase/(decrease) in cash and cash equivalents	133,488	(83,521)
Cash and cash equivalents at the beginning of the year	237,390	321,252
Effect of foreign exchange rate changes	(115)	(341)
Cash and cash equivalents at the end of the year	370,763	237,390
Analysis of cash and cash equivalents (note 22)	370,763	237,390

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

1. GENERAL INFORMATION

The Company was incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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

The Company is an investment holding company. The principal activities of the Group's principal subsidiaries are set out in note 34 to the consolidated financial statements.

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

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

The Group has applied the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") and Hong Kong Accounting Standards ("HKASs") 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 HKFRS 10, HKFRS 12 and HKAS 28	*Investment Entities: Applying the Consolidation Exception*
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
HKFRS 14	*Regulatory Deferral Accounts*
Amendments to HKAS 1	*Disclosure Initiative*
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*
Amendments to HKAS 27	*Equity Method in Separate Financial Statements*
Amendments to HKFRSs	*Annual Improvements to 2012-2014 Cycle*

The directors of the Company (the "Directors") consider that the application of these new and amended HKFRSs and HKASs 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.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS (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 HKFRS 10 and HKAS 28	*Sales or Contributions of Assets between an Investor and its Associate or Joint Venture*[4]
Amendments to HKFRS 2	*Classification and Measurement of Share based Payment Transactions*[2]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[2]
HKFRS 9	*Financial Instruments*[2]
HKFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*[2]
HKFRS 16	*Leases*[3]
Amendments to HKAS 7	*Disclosure Initiative*[1]
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[1]

1 Effective for annual periods beginning on or after 1 January 2017

2 Effective for annual periods beginning on or after 1 January 2018

3 Effective for annual periods beginning on or after 1 January 2019

4 No mandatory effective date is determined but is available for early adoption

HKFRS 9 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 (Continued)

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

HKFRS 9 Financial Instruments (Continued)

Key requirements of HKFRS 9 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 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.

- In relation to the impairment assessment of financial assets, HKFRS 9 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.

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

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

HKFRS 9 Financial Instruments (Continued)

- HKFRS 9 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 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 2014, 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.

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

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

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

HKFRS 15 Revenue from Contracts with Customers (Continued)

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 on the Group's financial statements until a detailed review has been completed.

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 "Listing Rules"). 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.

(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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Basis of preparation of the consolidated financial statements (Continued)

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

(c) Comparative figure – Change in presentation of consolidated statement of profit or loss

In the current year, the Directors decided to change the classification of certain line items in the consolidated statement of profit or loss to better reflect the financial information of the Group's activities. Prior year figures have been re-presented to reflect the new presentation. The reclassification has had no effect on the financial performance of Group for the year ended 31 December 2015.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Comparative figure – Change in presentation of consolidated statement of profit or loss (Continued)

The effect of change in presentation for the preceding year by certain line items presented in the consolidated statement of profit or loss is as follows:

	For the year ended 31 December 2015		
	As previously reported HK$'000	**Reclassification** HK$'000	**Restated** HK$'000
Consolidated statement of profit or loss			
Cost of sales and services	(642,251)	(36,969)	(679,220)
Administrative and operating expenses	(266,972)	36,969	(230,003)

Breakdown of the expenses reclassified is as follows:

	HK$'000
Depreciation	21,704
Repair and maintenance expenses	15,265
	36,969

No consolidated statement of financial position as at 1 January 2015 and 31 December 2015 has been presented as the result from reclassifications disclosed above has no financial effects on the financial position of the Group with regard to the comparative figures on 1 January 2015 and 31 December 2015.

(d) 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 Group:

- 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Basis of consolidation (Continued)

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 item 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.

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 entities of the Group are eliminated in full on consolidation.

(e) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Business combinations (Continued)

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 equity 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 HKFRSs.

(f) 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.

(g) Investments in an associate

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Investments in an associate (Continued)

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.

(h) 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 the provision of casino management services and the provision of electronic gaming equipment and system 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 sale of electronic gaming equipment and system is recognised when the goods are delivered and the title has passed.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) 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 period, 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.

(j) 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

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivables is recognised as unearned finance income.

The method for allocating gross earnings to accounting periods is referred to the "actuarial method". The actuarial method allocates rentals between finance income and repayment of capital in each accounting period in such a way that finance income will emerge as a constant rate of return on the lessor's net investment in the lease.

When assets are leased out under an operating lease, the asset is included in the consolidated statement of financial position based on the nature of the asset.

Lease income on operating leases is recognised over the term of the lease on a straight-line basis.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Leasing (Continued)

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.

(k) 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 period, 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 period. 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).

(l) Borrowing costs

All borrowing costs that are not directly attributable to expenditure on qualifying assets are recognised in profit or loss in the period in which they are incurred.

(m) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) 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. 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.

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 period, 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) 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. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An intangible asset is derecognised on disposal, or when no future economic benefit are expected from use or disposal. 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 profit or loss when the asset is derecognised.

(p) Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labour and an appropriate proportion of overheads and borrowing costs, where applicable. Capitalised development costs are stated at cost less accumulated amortisation and impairment losses, where applicable. Other development expenditure is recognised as an expenses in the period in which it is incurred.

(q) 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.

(r) Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with bank, other short-term highly liquid investments with original maturities of three months or less, and bank overdraft. In the consolidated statement of financial position, bank overdrafts are shown within borrowings in current liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) 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 ("FVTPL")) 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 available-for-sale financial assets 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 financial assets 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)

(s) Financial instruments (Continued)

Financial assets (Continued)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

Equity and debt securities held by the Group that are classified as available-for-sale financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of available-for-sale monetary financial assets relating to interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognised in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of each reporting periods subsequent to initial recognition, loans and receivables (including finance lease receivables, loan receivable, debtors, deposits, other debtors, prepayments and cash and cash equivalents) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Financial instruments (Continued)

Financial assets (Continued)

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 assets, the estimated future cash flows of the financial assets have been impacted.

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 assets, 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.

When available-for-sale financial assets are considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period. For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment 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)

(s) Financial instruments (Continued)

Financial assets (Continued)

Impairment loss on financial assets (Continued)

In respect of available-for-sale equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of available-for-sale financial assets reserve. In respect of available-for-sale debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Financial instruments (Continued)

Financial liabilities and equity (Continued)

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.

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 expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Impairment of tangible and intangible assets

At the end of the reporting period, 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. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of CGU for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amounts, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another Standards, in which case the impairment loss is treated as a revaluation decrease under that Standard.

When an impairment loss subsequently reverses, the carrying amount of the assets (or CGU) 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 (or CGU) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

(u) 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 of all of 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)

(v) Related parties

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

(I) 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 Group or of a parent of the Group.

(II) An entity is related to a 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, subsidiary 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 a 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 (I).

(vii) A person identified in (I)(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).

(viii) The entity, or any member of the Group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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 a 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 associated 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 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 of and impairment loss on 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 on intangible assets

In connection with the carrying amount of intangible assets, the Group performs ongoing evaluation of the status of the underlying gaming projects concerned. Sensitivity analysis has been carried out on its assumptions regarding future market shares and anticipated margins on 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 on debtors

The policy for making impairment loss on debtors of the Group is based on the evaluation of collectability and ageing 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) Measurement of promissory note

On issue of promissory note, 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.

(e) Income tax

The Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income tax. 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.

(f) Impairment loss on finance lease receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows expected to arise from the settlement of the finance lease receivables. The amount of the impairment loss is measured as the difference between the asset's carrying amount and higher of the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the present value of estimated future cash flows less cost to sell are less than expected, a material impairment loss may arise.

(g) Expected repayment date for the finance lease receivables

The timing and amount of repayment of finance lease receivables are determined depending on the lessees' operating results. However, the monthly operating results of the lessees could not be estimated with reasonable certainty. The Directors considered that the settlement would be received at the expiration of the contract. Therefore, all finance lease receivables are classified into non-current assets at the end of the reporting period.

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 note 25, cash and cash equivalents, and equity of the Company, comprising issued share capital disclosed in note 27 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 as well as make new 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 available-for-sale financial assets, finance lease receivables, loan receivable, debtors and deposits, cash and cash equivalents, creditors and accrued charges, amounts due to directors, 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, finance lease receivables/payables and promissory note. The bank deposits bear interests at variable rates depending on the prevailing market condition. The finance lease receivables/payables bear interests at fixed rates and the promissory note is non-interest bearing, 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 finance lease receivables/payables are at fixed interest rates, promissory note is non-interest bearing, and the interest income generated from bank deposits is insignificant.

6. FINANCIAL RISK MANAGEMENT (Continued)

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

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 36% (2015: 57%) and 94% (2015: 93%) of the total trade debtors were due from the Group's largest customer and the five largest customers, respectively, within the casino service segment and the gaming system segment.

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 (the "Board") of the Company, 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.

6. FINANCIAL RISK MANAGEMENT (Continued)

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

Liquidity risk (Continued)

	Less than 1 year HK$'000	Within 1 and 2 years HK$'000	Total undiscounted cash flow HK$'000	Total carrying amount HK$'000
At 31 December 2016				
Creditors and accrued charges	**189,399**	**–**	**189,399**	**189,399**
Amounts due to directors	**3,709**	**–**	**3,709**	**3,709**
Promissory note	**94,000**	**–**	**94,000**	**88,013**
	287,108	**–**	**287,108**	**281,121**
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 leases	66	–	66	65
Promissory note	–	94,000	94,000	77,158
	196,859	94,000	290,859	274,016

B. Fair value of financial assets and financial liabilities

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis are as follows:

Other than certain available-for-sale financial assets, the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

Available-for-sale financial assets in respect of listed equity securities are determined by reference to the quoted bid prices in active markets.

The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation techniques and inputs used).

6. FINANCIAL RISK MANAGEMENT (Continued)

B. Fair value of financial assets and financial liabilities (Continued)

Financial assets	Fair values as at 31 December 2016 HK$'000	2015 HK$'000	Fair value hierarchy	Valuation techniques and key input
Available-for-sale financial assets – Listed equity securities	**1,115**	–	Level 1	Quoted bid prices in active markets

There were no transfers amongst Level 1, 2 and 3 during both years.

C. Categories of financial instruments

	2016 HK$'000	2015 HK$'000
Financial assets		
Available-for-sale financial assets	**1,115**	–
Finance lease receivables	**18,274**	–
Loan and receivables		
– debtors and deposits	**161,645**	138,504
– loan receivable	**15,901**	–
– cash and cash equivalents	**370,763**	237,390
	567,698	375,894
Financial liabilities		
Other financial liabilities measured at amortised cost		
– creditors and accrued charges	**189,399**	193,258
– obligations under finance leases	**–**	65
– amounts due to directors	**3,709**	3,535
– promissory note	**88,013**	77,158
	281,121	274,016

7. TURNOVER AND SEGMENT INFORMATION

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

Casino service – Provision of casino management services in Macau

Gaming system – Development, sale and leasing of electronic gaming equipment and 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 following tables present revenue and profit information regarding the Group's operating segments for the years ended 31 December 2016 and 31 December 2015.

(a) Business segments

For the year ended 31 December 2016

	Operating and reportable segments			
	Casino service HK$'000	Gaming system HK$'000	Unallocated HK$'000	Total HK$'000
Revenue				
Revenue from external customers	826,392	336,955	–	1,163,347
Segment results	(131,221)	(182,229)	(27,442)	(340,892)
Finance costs				(10,856)
Loss before income tax expense				(351,748)

7. TURNOVER AND SEGMENT INFORMATION (Continued)

(a) Business segments (Continued)

As at 31 December 2016

	Operating and reportable segments			
	Casino service HK$'000	Gaming system HK$'000	Unallocated HK$'000	Total HK$'000
Assets				
Segment assets	597,635	216,851	101,028	915,514
Total assets				915,514
Liabilities				
Segment liabilities	177,617	22,928	92,200	292,745
Total liabilities				292,745
Other information				
Capital expenditures	4,017	6,061	441	10,519
Amortisation for intangible assets	12,137	15,211	–	27,348
Depreciation of property, plant and equipment	49,810	14,477	655	64,942
Loss/(gain) on disposal of property, plant and equipment	9,967	(3,280)	–	6,687
Prepayment of machine costs recognised as expenses	8,607	–	–	8,607
Impairment loss recognised in respect of amount due from an associate	–	–	26	26
Loss arising from assignment of intangible assets	–	334,765	–	334,765

7. TURNOVER AND SEGMENT INFORMATION (Continued)

(a) Business segments (Continued)

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 income tax expense				(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 for intangible assets	12,138	54,794	–	66,932
Depreciation of property, plant and equipment	41,858	13,515	1,226	56,599
Prepayment of machine costs recognised as expenses	21,438	–	–	21,438
Impairment loss recognised in respect of amount due from an associate	–	–	18	18
Impairment loss on intangible assets	–	67,280	–	67,280

7. TURNOVER AND SEGMENT INFORMATION (Continued)

(a) Business segments (Continued)

Information about major customers

Revenue from customers contributing over 10% of the total revenue of the Group for the years ended 31 December 2016 and 31 December 2015 is as follows:

	2016 **HK$'000**	2015 HK$'000
Customer A	**694,330**	772,740
Customer B	**275,141**	263,080

Revenue from customer A and customer B for the years ended 31 December 2016 and 31 December 2015 are generated from both casino service and gaming system segments.

Segment revenue reported above represented the revenue generated from external customers which did not include the intersegment revenue recognised by the gaming system segment of approximately HK$18,667,000 (2015: HK$18,667,000) during the year ended 31 December 2016.

Revenue under gaming system segment reported above represented the revenue generated from external customers which has included the sharing of net gaming revenue earned indirectly through casino service segment in the amount of HK$141,434,000 (2015: HK$144,755,000) during the year ended 31 December 2016.

Assets and liabilities are allocated based on the operation of the segment. Investment in shares (classified as available-for-sale financial assets) held by the Group are not considered to be segment assets but rather are managed by the treasury function. The promissory note are not considered to be segment liabilities but rather are managed by the treasury function.

7. TURNOVER AND SEGMENT INFORMATION (Continued)

(b) Geographical segments

The following table set out information about the geographical analysis of the Group's revenue, non-current assets (excluding available-for-sale financial assets), total assets and capital expenditure. In presenting the geographical information, segment revenue is based on the geographical location of external customers and segment non-current assets (excluding available-for-sale financial assets), total assets and capital expenditure are based on the geographical location of the assets.

	Revenue		Non-current assets		Total assets		Capital expenditure	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Macau	**1,143,207**	1,088,060	**247,965**	757,321	**801,702**	1,253,061	**9,757**	62,365
Others countries and places	**20,140**	4,018	**4,085**	4,932	**113,812**	23,483	**762**	1,854
	1,163,347	1,092,078	**252,050**	762,253	**915,514**	1,276,544	**10,519**	64,219

(c) Turnover

	2016 **HK$'000**	2015 HK$'000
Revenue from provision of casino management services	**826,392**	891,064
Revenue from leasing of electronic gaming equipment and system	**151,222**	147,869
Sale of electronic gaming equipment and system	**185,733**	53,145
	1,163,347	1,092,078

8. OTHER INCOME

	2016 **HK$'000**	2015 HK$'000
Bank interest income	**2,668**	3,585
Finance lease interest income	**950**	–
Loan interest income	**301**	–
Rental income	**3,325**	3,249
Sundry income	**4,925**	5,363
	12,169	12,197

9. FINANCE COSTS

	2016 HK$'000	2015 HK$'000
Interest on:		
Obligations under finance leases wholly repayable within five years	**1**	8
Effective interest on:		
Promissory note (note 25)	**10,855**	9,516
	10,856	9,524

10. LOSS BEFORE INCOME TAX EXPENSE

	2016 HK$'000	2015 HK$'000
Loss before income tax expense has been arrived at after charging:		
Auditor's remuneration		
– Audit services	**930**	935
– Other services	**180**	–
Cost of inventories recognised as expenses	**66,152**	11,618
Depreciation of property, plant and equipment	**64,942**	56,599
Operating lease rentals paid in respect of rented premises	**11,522**	11,432
Research and development*	**18,644**	19,621
Amortisation for intangible assets	**27,348**	66,932
Impairment loss recognised in respect of amount due from an associate	**26**	18
Impairment loss on intangible assets	**–**	67,280
Loss on disposal of property, plant and equipment	**6,687**	–
Bad debt written off	**875**	–
Prepayment of machine costs recognised as expenses	**8,607**	21,438
Staff costs		
– Directors' emoluments (note 12)	**25,770**	26,001
– Other staff costs		
– Salaries and other benefits	**109,058**	109,967
– Retirement benefit scheme contributions	**1,527**	1,154
Total staff costs	**136,355**	137,122

* Research and development expenditure includes HK$17,272,000 (2015: HK$15,468,000) relating to staff costs, depreciation and operating lease rentals paid which are included in the respective total amounts disclosed separately above.

11. INCOME TAX EXPENSE

	2016 **HK$'000**	2015 HK$'000
Income tax expense comprises:		
Current tax:		
Hong Kong Profits Tax	**–**	–
Macau Complementary Tax	**2,000**	–
Lump Sum Dividend Tax	**331**	331
PRC Enterprise Income Tax	**26**	15
Other countries tax	**6**	–
	2,363	346
Under/(over) provision in prior years:		
Macau Complementary Tax	**1,031**	(6)
	3,394	340

(i) Hong Kong Profits Tax

Hong Kong Profits Tax is calculated at the rate of 16.5% (2015: 16.5%) on the estimated assessable profits 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% (2015: 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% (2015: 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.

11. INCOME TAX EXPENSE (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 2016, lump sum dividend tax of HK$331,000 (2015: HK$331,000) has been recognised which was charged to the consolidated statement of profit or loss.

(iv) Other countries tax

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

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

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

	2016 **HK$'000**	2015 HK$'000
Loss before income tax expense	**(351,748)**	(148,573)
Tax at Macau Complementary Tax rate of 12% (note)	**(42,210)**	(17,829)
Tax effect of expenses not deductible for tax purpose	**9,625**	1
Tax effect of income not taxable for tax purpose	**(17,831)**	(411)
Tax effect of tax exemption granted to gaming related revenue	**–**	(14,882)
Tax effect of temporary differences not recognised	**74,885**	39,640
Under/(over) provision in prior year	**1,031**	(6)
Lump sum dividend tax	**331**	331
Tax effect of different tax rates enacted by local authority	**(22,437)**	(6,504)
Income tax expense	**3,394**	340

Note: The Macau Complementary Tax rate of 12% for the years ended 31 December 2016 and 31 December 2015 represents the statutory tax rate of which the Group's operations conducted substantially in Macau through both years.

12. DIRECTORS' EMOLUMENTS AND EMPLOYEES' REMUNERATIONS

Directors' emoluments

The emoluments of each Director were as follows:

Year ended 31 December 2016

Name	Fees HK$'000	Salaries and other benefits HK$'000	Accommodation benefits HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
Executive Directors					
Mr. Jay Chun	–	12,000	1,260	12	13,272
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
Mr. Kai-Shing Tao	120	–	–	–	120
Ms. Tang Kiu Sam Alice	120	–	–	–	120
Total	360	24,120	1,260	30	25,770

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	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
Mr. Kai-Shing Tao	120	–	–	–	120
Ms. Tang Kiu Sam Alice	120	–	–	–	120
Total	360	24,120	1,491	30	26,001

Salaries, allowance and benefits in kind paid to or for the executive Directors are generally emoluments paid or payable in respect of those persons' other services in connection with the management of the affairs of the Company and its subsidiaries.

12. DIRECTORS' EMOLUMENTS AND EMPLOYEES' REMUNERATIONS (Continued)

Directors' emoluments (Continued)

No Director waived or agreed to waive any emoluments during the two years ended 31 December 2016 and 31 December 2015.

Employees' remunerations

The five highest paid individuals in the Group during the year included two (2015: two) Directors whose emoluments are reflected in the analysis presented above. The remunerations of the remaining three (2015: three) individuals are set out below:

	2016 **HK$'000**	2015 HK$'000
Salaries and other benefits	**7,190**	7,655
Retirement benefit scheme contributions	**18**	15
	7,208	7,670

Their remunerations were within the following band:

	2016 **Number of individuals**	2015 Number of individuals
HK$500,001 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**	1

During the years ended 31 December 2016 and 31 December 2015, no emoluments or remunerations were paid by the Group to any of the Directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

13. DIVIDENDS

	2016 **HK$'000**	2015 HK$'000
2014 final dividend paid: HK5.0 cents per share	**–**	52,775

The Directors do not recommend the payment of final dividend for the year ended 31 December 2016 (2015: nil).

14. LOSS PER SHARE

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

	2016 **HK$'000**	2015 HK$'000
For the purpose of calculating basic loss per share		
Loss for the year attributable to the owners of the Company	**(380,380)**	(165,192)
For the purpose of calculating diluted loss per share		
Loss for the year attributable to the owners of the Company	**(380,380)**	(165,192)

	2016 **'000**	2015 '000
Number of shares		
Issued ordinary shares at 1 January	**1,053,621**	1,057,445
Effect of repurchase of share	**(1,377)**	(2,381)
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	**1,052,244**	1,055,064

Diluted loss per share

For the year ended 31 December 2016, diluted loss per share was the same as the basic loss per share as the average market price of ordinary shares during the year did not exceed the exercise price of the warrants issued by the Company during the year ended 31 December 2016.

For the year ended 31 December 2015, diluted loss per share was the same as the basic loss per share as there was no dilutive potential ordinary shares.

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 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 and 1 January 2016	213,831	195,138	41,172	3,857	453,998
Additions	4,026	5,046	1,330	117	10,519
Disposals	(16,484)	(3,279)	(818)	–	(20,581)
Exchange realignments	(40)	–	(134)	–	(174)
At 31 December 2016	201,333	196,905	41,550	3,974	443,762
Accumulated depreciation and impairment					
At 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 and 1 January 2016	109,997	124,900	23,169	1,996	260,062
Provided for the year	33,717	25,700	4,880	645	64,942
Written back on disposal	(7,004)	(2,440)	(309)	–	(9,753)
Exchange realignments	(26)	–	(45)	–	(71)
At 31 December 2016	136,684	148,160	27,695	2,641	315,180
Net carrying amount					
At 31 December 2016	64,649	48,745	13,855	1,333	128,582
At 31 December 2015	103,834	70,238	18,003	1,861	193,936

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

Notes:

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

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

(b) At 31 December 2016, no property, plant and equipment was subject to charges (2015: certain motor vehicles of the Group in the net carry amount of HK$56,000 were subject to charges for securing obligations under finance lease).

(c) At the end of the reporting period, the Group carried out the reviews of the recoverable amount of certain property, plant and equipment, whose net carrying amount was HK$100,471,000 (2015: HK$134,767,000), which belong to the Macau Patent CGU, having regard to the market conditions in Macau. The details of the determination of the recoverable amounts of the assets of this CGU are disclosed in note 16(b). No impairment loss was recognised on property, plant and equipment under this CGU for the years ended 31 December 2016 and 31 December 2015.

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 2015, 31 December 2015, 1 January 2016 and 31 December 2016	4,705	182,066	657,535	844,306
Accumulated amortisation and impairment				
At 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(i))	–	–	67,280	67,280
At 31 December 2015 and 1 January 2016	4,705	64,735	206,549	275,989
Amortisation for the year	–	12,137	15,211	27,348
Written off (note c(ii))	–	–	435,775	435,775
At 31 December 2016	4,705	76,872	657,535	739,112
Net carrying amount				
At 31 December 2016	–	105,194	–	105,194
At 31 December 2015	–	117,331	450,986	568,317

Notes:

(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.

16. INTANGIBLE ASSETS (Continued)

Notes: (Continued)

(b) The patent relates to a computerised system (the "System") for operating multi-gambling games. The System was installed at Casino Kam Pek Paradise and other casinos in Macau. The Group generates revenue from sharing of revenue with casino owners under income-sharing agreements involving the distribution of electronic gaming equipment installed with the System in Macau. The patent is amortised over its useful life of 15 years using the straight line method.

At the end of the reporting period, the Group carried out the reviews of the recoverable amounts of this class of intangible asset as well as those of certain property, plant and equipment, which belong to the cash-generating unit in Macau patent ("Macau Patent CGU") (note 15(c)), having regard to the market conditions in Macau. The recoverable amounts of these assets in the Macau Patent CGU have been determined by the Directors based on the value-in-use, determined based on the remaining license period and with reference to the valuation report conducted by an independent professional valuer, International Valuation Limited, which was approved by the Directors. No impairment loss was recognised on intangible assets under the Macau Patent CGU for the years ended 31 December 2016 and 31 December 2015.

Key assumptions adopted by management in the cash flow projection of the Macau Patent CGU are as follows:

– Growth rate of 2.50% to 5.54% (2015: range of 3.04% to 5.57%) per annum is applied in the profit or loss projection for the remaining license period, which was in line with the average inflation rate for Macau.

– Pre-tax discount rate of 19.10% (2015: 19.64%) is adopted based on the assessment of the discount rate analysis independently performed by the independent professional valuer.

(c) The amount represents various patents and patent applications in the United States relating to the System ("U. S. Patents"). The Group generated revenue from the sale and leasing of electronic gaming equipment installed with the System in the United States. The U.S. Patents were amortised over its useful life of 12 years using the straight line method.

(i) At 31 December 2015, 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 on the carrying amount of the patent of approximately HK$67,280,000. The impairment loss has been included in the consolidated statement of profit or loss for the year ended 31 December 2015.

16. INTANGIBLE ASSETS (Continued)

Notes: (Continued)

(c) (ii) On 25 April 2016, the subsidiaries of the Company, namely Fresh Idea Global Limited ("FIGL"), Solution Champion Limited ("SCL") and LT Game Limited ("LT Game"), collectively, FIGL, SCL and LT Game are referred to as "LTG Parties", entered into a patent and technology assignment and license agreement (the "Agreement") for granting the exclusive rights to make, have made, use, sell, offer for sale, import, license/sub-license, and otherwise exploit any live electronic table game or random number generator electronic table game, mobile or online gaming application or associated system (collectively the "Licensed Products") worldwide (other than Macau), which involves the assignment and license of the U.S. Patents (and certain other patents) and associated technology in relation to the Licensed Products (the "Exclusive Rights") to IGT, an independent third party, being the assignee and the licensee under the Agreement. A one-time, non-refundable and non-creditable upfront payment of US$12,950,000 (equivalent to approximately HK$101,010,000, the "Upfront Payment") was paid by IGT for the grant of the Exclusive Rights.

Besides, the Group is entitled to receive the earn-out payments (the "Earn-out Payments") according to the Agreement for the placements (by way of sale or lease) of the Licensed Products based upon a flat fee per unit or a flat fee per unit per day after the assignment of intangible assets.

In the preparation of the consolidated financial statements for the year ended 31 December 2016, the Directors have reassessed the amortisation period and amortisation method for this class of intangible assets. In prior years, the future economic benefits were expected to be consumed by the Group on a straight line basis over the estimated useful life of 12 years through sale and leasing of electronic gaming equipment installed with the System. Taking into account the change in use of the intangible assets brought about by the assignment and license of the U.S. Patents and associated technology, the Directors determined that the useful life of 12 years may no longer be appropriate. Further, the future economic benefits flowing to the Group in the form of the Earn-out Payments could not be reliably estimated in terms of amount, timing and duration. Accordingly, it is determined that the remaining carrying amount of this class of intangible assets be fully written down as at 31 December 2016. As a result, a loss arising from assignment of the intangible assets amounting to HK$334,765,000 is recognised in profit or loss account, after taking into account the Upfront Payment received, for the year ended 31 December 2016.

17. INTERESTS IN AN ASSOCIATE

	2016	2015
	HK$'000	HK$'000
Cost of investment in an associate, unlisted	**21,672**	21,672
Share of post-acquisition losses and reserves	**(21,672)**	(21,672)
Amount due from an associate	**6,150**	6,124
Less: Impairment loss on amount due from an associate	**(6,150)**	(6,124)
	–	–

Particulars of the Group's associate as at 31 December 2016 and 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 activities
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, interest-free and have no fixed terms of repayments. During the year ended 31 December 2016, impairment loss of approximately HK$26,000 (2015: HK$18,000) was recognised to the consolidated statement of profit or loss.

17. INTERESTS IN AN ASSOCIATE (Continued)

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

	2016 HK$'000	2015 HK$'000
At 31 December		
Total assets	**1,738**	1,735
Total liabilities	**(6,161)**	(6,134)
Net liabilities	**(4,423)**	(4,399)
Year ended 31 December		
Total revenue	**–**	–
Total loss for the year	**(24)**	(22)
Other comprehensive income	**–**	–
Total comprehensive income for the year	**(24)**	(22)

The Group has not recognised loss for the year amounting to approximately HK$11,000 (2015: HK$10,000) for the Group's associate. The accumulated losses not recognised were approximately HK$2,302,000 (2015: HK$2,291,000).

18. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2016 HK$'000	2015 HK$'000
Listed equity securities	**1,115**	–

Available-for-sale financial assets represent the Group's investment in listed securities. The investment in listed securities of the Group at the end of the reporting period comprised shares which are listed on the Tokyo Stock Exchange. They are measured at fair value based on the quoted market bid prices available on the relevant stock exchange at the end of the reporting period.

19. FINANCE LEASE RECEIVABLES

	Minimum lease receipts		Present value of minimum lease receipts	
	2016 **HK$'000**	2015 HK$'000	**2016** **HK$'000**	2015 HK$'000
Finance lease receivables comprise:				
Within one year	**–**	–	**–**	–
In more than one year but not more than two years	**19,546**	–	**18,274**	–
	19,546	–	**18,274**	–
Less: Unearned finance lease income	**(1,272)**	–	**N/A**	N/A
Present value of minimum lease receipts	**18,274**	–	**18,274**	–
Less: Non-current finance lease receivables (receivable after 12 months)			**(18,274)**	–
			–	–

All of the finance lease receivables were under fixed flat rate at 6% per annum, which the effective interest rates were at the range of 5.71% to 6.31% per annum (2015: Nil). Finance lease receivables were unsecured and repayable within two years with variable monthly repayment which depends on the lessees' operating results. All the Group's finance lease receivables are denominated in United States dollars.

However, the monthly operating results of the lessees could not be estimated with reasonable certainty. The Directors considered that the settlement would be received at the expiration of the contract. Therefore, all finance lease receivables are classified into non-current assets at the end of the reporting period.

20. INVENTORIES

	2016 **HK$'000**	2015 HK$'000
Trading goods	**70,577**	87,220

21. DEBTORS, DEPOSITS AND PREPAYMENTS

	2016 **HK$'000**	2015 HK$'000
Trade debtors (note i)	**102,428**	78,461
Less: Impairment loss	**(287)**	(287)
Trade debtors, net of impairment loss	**102,141**	78,174
Deposits	**52,978**	61,018
Loan receivable (note ii)	**15,901**	–
Other debtors and prepayments	**49,989**	50,489
	221,009	189,681

Notes:

(i) At the end of the reporting period, trade debtors comprise amounts receivables from the share of gaming revenue ("Gaming Partners") and sale and leasing of electronic gaming equipment and system ("Customers"). 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 to its Gaming Partners and Customers. 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, based on the date of billing at the end of the reporting period, is as follows:

	2016 **HK$'000**	2015 HK$'000
Within 30 days	**68,861**	56,528
31 – 60 days	**278**	4,955
61 – 90 days	**161**	3,214
91 – 180 days	**6,599**	9,376
181 – 365 days	**8,631**	2,202
More than 365 days	**17,611**	1,899
	102,141	78,174

21. DEBTORS, DEPOSITS AND PREPAYMENTS (Continued)

Notes: (Continued)

(i) (Continued)

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

	2016 HK$'000	2015 HK$'000
Overdue by:		
1 – 30 days	**44**	81
31 – 60 days	**42**	3,177
61 – 90 days	**51**	2,981
91 – 180 days	**6,494**	9,427
181 – 365 days	**6,552**	1,915
More than 365 days	**17,542**	1,899
	30,725	19,480

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.

(ii) Pursuant to a loan agreement dated 5 October 2016, LT View Limited, a subsidiary of the Company incorporated in the British Virgin Islands, agreed to grant a loan to LT Game Japan Limited ("LT Japan"), a company which is incorporated in Japan and is principally engaged in the development and manufacture of gaming products, in the principal amount of US$2,000,000 with interest charged at the rate of 8% per annum. The total outstanding principal amount and accrued interest will be repayable on the maturity date of 5 October 2017. The loan is unsecured and guaranteed by Mr. Pak Suil, who holds 18% shareholding in, and is a director of, LT Game. On 5 October 2016, LT Japan was a company owned as to 5.05% by the Group and 35.16% by Mr. Pak Suil, respectively. Following the completion of a reorganisation of LT Japan on 30 December 2016, LT Japan has become a wholly-owned subsidiary of another corporate (the "Corporate") and the Group and Mr. Pak Suil own 0.83% and 5.76% of the Corporate, respectively. Details of the loan agreement are set out in the announcement of the Company dated 5 October 2016.

22. CASH AND CASH EQUIVALENTS

	2016 HK$'000	2015 HK$'000
Deposits with other financial institutions	**1,279**	1,280
Cash at bank (note)	**304,468**	174,095
Cash chips in hand	**63,009**	59,947
Cash in hand	**2,007**	2,068
	370,763	237,390

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

At 31 December 2016, the cash and cash equivalents of the Group denominated in RMB amounted to approximately HK$2,128,000 (2015: HK$3,940,000), which is not freely convertible in the international market.

23. CREDITORS AND ACCRUED CHARGES

	2016 HK$'000	2015 HK$'000
Trade creditors	**109,090**	90,428
Other creditors and accrued charges	**89,656**	128,456
	198,746	218,884

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

	2016 HK$'000	2015 HK$'000
Within 30 days	**42,376**	17,536
31 – 60 days	**9,784**	3,547
61 – 90 days	**4,716**	3,050
91 – 365 days	**11,610**	41,274
Over 365 days	**40,604**	25,021
	109,090	90,428

24. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2016	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**–**	66	**–**	65
Less: Future finance charges	**–**	(1)	**–**	–
Present value of lease obligations	**–**	65	**–**	65
Less: Amounts due for settlement within one year (shown under current liabilities)			**–**	(65)
Amounts due for settlement after one year			**–**	–

It is the Group's policy to lease certain of its motor vehicles under finance leases. The average lease term is 5 years and interest rate was fixed at the contract dates.

All obligations under finance leases are denominated in HK$.

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

25. PROMISSORY NOTE

	2016	2015
	HK$'000	HK$'000
At 1 January	**77,158**	67,642
Imputed interest charged (note 9)	**10,855**	9,516
At 31 December	**88,013**	77,158

25. PROMISSORY NOTE (Continued)

At the end of the reporting period, the promissory note was repayable as follows:

	2016 **HK$'000**	2015 HK$'000
Within 1 year or on demand	**88,013**	–
After 1 year but within 2 years	**–**	77,158
	88,013	77,158

On 19 June 2013, the Group issued the promissory note with a principal amount of HK$200,000,000 to Mr. Jay Chun, the Chairman and an executive Director, as part of the consideration for the Group's acquisition of patents and patent applications in the U.S. in relation to the System (see note 16). 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. At 31 December 2016, the outstanding principal amount of the promissory note amounted to HK$94,000,000 (2015: HK$94,000,000).

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

26. DEFERRED TAX LIABILITIES

At 31 December 2016, the Group had unused tax losses of approximately HK$57,415,000 (2015: 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.

27. SHARE CAPITAL AND TREASURY SHARES

	Number of shares of HK$0.001 each		Share capital	
	2016	2015	**2016**	2015
	'000	'000	**HK$'000**	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	**1,053,621**	1,057,445	**1,053**	1,057
Repurchase and cancellation of shares (note)	**(1,436)**	(3,824)	**(1)**	(4)
At the end of the year	**1,052,185**	1,053,621	**1,052**	1,053

Note:

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 and 3,824,000 repurchased shares were cancelled in 2015. This cancellation resulted in the decrease in issued share capital of approximately HK$4,000 and share premium of approximately HK$8,037,000.

At 31 December 2015, the Company held a total of 1,436,000 treasury shares at the total consideration of HK$1,641,000, which were cancelled in January 2016. This cancellation resulted in the decrease in issued share capital of approximately HK$1,000 and share premium of approximately HK$1,640,000.

28. RESERVES

(i) Share premium

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.

28. RESERVES (Continued)

(ii) Contributed surplus

Contributed surplus 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 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) Warrant reserve

The warrant 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.

On 31 October 2016, the Company issued 50,000,000 unlisted warrants at the issue price of HK$0.03 per warrant, which entitled the holder of each warrant to subscribe for one ordinary share of the Company at an exercise price of HK$1.40 per share (subject to adjustment) at any time during the one-year period commencing from 31 October 2016. No warrant has been exercised up to the date of approval of these consolidated financial statements.

(iv) 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.

29. CONTINGENT LIABILITIES

At the end of the reporting period, the Group 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 (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 an executive Director, the inventor and registered owner of Patent I/150) (collectively, the "Respondents") (the "Injunction").

29. CONTINGENT LIABILITIES (Continued)

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.

On 3 May 2016, the main lawsuit in relation to the violation of the Macau registered Patents I/150 and I/380 was dismissed after SHFL Macau withdrew its claim against the Respondents. SHFL Macau was ordered to pay all court fees related to the court case. Details were disclosed in the Company's announcement dated 5 May 2016.

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

30. OPERATING LEASE COMMITMENTS

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

	2016 **HK$'000**	2015 HK$'000
Within one year	**46,284**	53,046
In the second to fifth year inclusive	**63,805**	97,552
	110,089	150,598

Leases relate to a director's quarter, warehouse facilities and office premises and are negotiated for average terms of one to five (2015: one to five) years.

31. CAPITAL COMMITMENTS

	2016 **HK$'000**	2015 HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
Acquisition of property, plant and equipment	**2,927**	9,709

32. 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 2016, the total retirement benefit scheme contributions charged to the consolidated statement of profit or loss amounted to approximately HK$1,557,000 (2015: HK$1,184,000).

33. RELATED PARTY TRANSACTIONS

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

	Directors		**Associate**		**Related parties**	
	2016	2015	**2016**	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Sales of electronic gaming equipment and system to (note i)	**–**	–	**–**	–	**20,140**	491
Loan interest income from (note ii)	**–**	–	**–**	–	**301**	–
Consultancy fee paid to (note iii)	**–**	–	**–**	–	**778**	920
Salaries and other benefits paid to (notes iv)	**–**	–	**–**	–	**4,962**	4,946
Loan receivable from (note ii)	**–**	–	**–**	–	**15,901**	–
Amount due from (note v)	**–**	–	**6,150**	6,124	**–**	–
Amounts due to (note vi)	**3,709**	3,535	**–**	–	**–**	–

33. RELATED PARTY TRANSACTIONS (Continued)

(a) (Continued)

Notes:

(i) The related parties are companies wholly-owned by the brother-in-law of Mr. Jay Chun, the Chairman and executive Director of the Company.

(ii) The related company is LT Game Japan Limited. Further details of the loan and the related company are set out in note 21(ii).

(iii) The related party is the brother-in-law of Mr. Jay Chun, the Chairman and an executive Director of the Company.

(iv) The related party is the spouse of Mr. Jay Chun, the Chairman and an executive Director of the Company. The transactions were charged at pre-determined amounts agreed between the parties involved.

(v) The amount due is unsecured, interest-free and has no fixed terms of repayments. During the year ended 31 December 2016, impairment loss of approximately HK$26,000 (2015: HK$18,000) was recognised to the consolidated statement of profit or loss.

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

(b) Key Management Personnel Emoluments and Remunerations

	2016 **HK$'000**	2015 HK$'000
Short-term employee benefits	**32,462**	33,626
Retirement benefit scheme contributions	**48**	45
	32,510	33,671

Further details of Directors' emoluments and employees' remuneration are included in note 12.

34. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Group's principal subsidiaries as at 31 December 2016 and 31 December 2015 are as follows:

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid share capital/ registered capital	Class of share	Group's effective interest 2016	Group's effective interest 2015	Principal activities
Fairy Host Limited	British Virgin Islands/Macau	US$1	Ordinary	**82%**	82%	Investment holding
Fresh Idea Global Limited	British Virgin Islands/Hong Kong	US$1	Ordinary	**100%**	100%	Investment holding
LifeTec (Holdings) Limited	British Virgin Islands/Hong Kong	HK$141,176	Ordinary	**100%**	100%	Investment holding
LifeTec Enterprise Limited	Hong Kong/Hong Kong	HK$100	Ordinary	**100%**	100%	Provision of management and consulting services
LT (Macau) Limited	Macau/Macau	MOP1,000,000	Ordinary	**100%**	100%	Provision of management services and operation of electronic gaming equipment and system
LT Capital Limited	British Virgin Islands/Hong Kong	US$1	Ordinary	**100%**	100%	Investment holding
LT Game (Canada) Limited	Canada/United States	CAD100	Ordinary	**100%**	100%	Market development
LT Game Australia PTY Limited	Australia/Australia	AUD100	Registered Capital	**100%**	100%	Market development
LT Game Limited	British Virgin Islands/Macau	US$5,000	Ordinary	**82%**	82%	Development, sale and leasing of electronic gaming equipment and system
LT Harvest Limited	Macau/Macau	MOP25,000	Ordinary	**100%**	100%	Provision of management services
LT View Limited	British Virgin Islands/Hong Kong	US$1	Ordinary	**100%**	–	Provision of management services
Natural Noble Limited	British Virgin Islands/Macau	US$1	Ordinary	**100%**	100%	Investment holding
New Wahdo Customer Service Limited	Macau/Macau	MOP25,000	Ordinary	**100%**	100%	Provision of management services
Rich Yield Limited	Macau/Macau	MOP25,000	Ordinary	**100%**	100%	Investment holding
Shenzhen Caijing Software Technology Co., Ltd (note a)	PRC/PRC	RMB500,000	Registered capital	**100%**	100%	Software development
Solution Champion Limited	British Virgin Islands/Hong Kong	US$1	Ordinary	**100%**	100%	Investment holding

34. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid share capital/ registered capital	Class of share	Group's effective interest 2016	Group's effective interest 2015	Principal activities
Streetsteel Limited	Macau/Macau	MOP25,000	Ordinary	**100%**	100%	Investment holding
Tech (Macau) Limited	Macau/Macau	MOP3,000,000	Ordinary	**82%**	82%	Sale and leasing of electronic gaming equipment and system
Zhuhai Caijing Software Technology Co., Ltd (note a)	PRC/PRC	RMB500,000	Registered Capital	**100%**	100%	Software development

Notes:

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

(b) Other than LifeTec (Holdings) Limited, which is held directly by the Company, all the other subsidiaries are held indirectly by the Company.

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.

Name of subsidiary	Place of incorporation/ operation	Proportion of ownership interests and voting rights held by non-controlling interests 2016	2015	Total comprehensive income (expense) allocated to non-controlling interests 2016 HK$'000	2015 HK$'000	Accumulated non-controlling interests 2016 HK$'000	2015 HK$'000
LT Game Limited	British Virgin Islands/Macau	**18%**	18%	**25,568**	17,485	**68,856**	43,288
Fairy Host Limited	British Virgin Islands/Macau	**18%**	18%	**(4)**	(2)	**1,908**	1,912
Individually immaterial subsidiaries with non-controlling interests						**(3,194)**	(2,870)
						67,570	42,330

34. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

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

	2016 **HK$'000**	2015 HK$'000
LT Game Limited		
NCI percentage	**18%**	18%
Current assets	**373,401**	227,534
Non-current assets	**26,807**	35,215
Current liabilities	**17,672**	22,260
Equity attributable to owners of the Company	**313,680**	197,201
Non-controlling interests	**68,856**	43,288
Total revenue	**308,943**	256,621
Total expenses	**164,125**	159,480
Income tax expense	**2,771**	–
Profit for the year	**142,047**	97,141
Profit attributable to owners of the Company	**116,479**	79,656
Profit attributable to non-controlling interests	**25,568**	17,485
	142,047	97,141
Net cash inflow from operating activities	**177,852**	90,773
Net cash outflow from investing activities	**(4,642)**	(6,768)
Net cash outflow from financing activities	**(146,360)**	(84,703)
Net cash inflow/(outflow)	**26,850**	(698)

34. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

	2016 HK$'000	2015 HK$'000
Fairy Host Limited		
NCI percentage	**18%**	18%
Current assets	**7,642**	7,902
Non-current assets	**2,959**	2,726
Current liabilities	**–**	1
Equity attributable to owners of the Company	**8,693**	8,715
Non-controlling interests	**1,908**	1,912
Total revenue	**–**	–
Total expenses	**26**	10
Loss for the year	**(26)**	(10)
Loss attributable to owners of the Company	**(22)**	(8)
Loss attributable to non-controlling interests	**(4)**	(2)
	(26)	(10)
Net cash flow from operating activities	**–**	–
Net cash flow from investing activities	**–**	–
Net cash flow from financing activities	**–**	–
Net cash flow	**–**	–

35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2016 HK$'000	2015 HK$'000
Non-current assets			
Interests in subsidiaries	i	**852,319**	942,942
Current assets			
Prepayments and deposits		**160**	277
Cash and cash equivalents		**88,488**	842
		88,648	1,119
Current liabilities			
Other creditors and accrued charges		**705**	750
Amounts due to directors	ii	**377**	377
Promissory note		**88,013**	–
		89,095	1,127
Net current liabilities		**(447)**	(8)
Total assets less current liabilities		**851,872**	942,934
Non-current liability			
Promissory note		**–**	77,158
Net assets		**851,872**	865,776
Capital and reserves			
Share capital		**1,052**	1,053
Treasury shares		**–**	(1,641)
Reserves	iii	**850,820**	866,364
Total equity		**851,872**	865,776

The Company's statement of financial position was approved and authorised for issue by the Board of Directors on 29 March 2017 and signed on behalf of the Board by:

JAY CHUN
Director

TANG KIU SAM ALICE
Director

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

Notes:

(i) Interests in subsidiaries

At the end of the reporting period, interests in subsidiaries are carried at cost less impairment loss, if any.

(ii) Amounts due to directors

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

(iii) Reserves

	Share premium (note a) HK$'000	**Contributed surplus** (note b) HK$'000	**Warrant reserve** (note 28(iii)) HK$'000	**Accumulated losses** HK$'000	**Total** HK$'000
At January 2015	936,874	141,191	–	(137,194)	940,871
Loss and comprehensive expense for the year	–	–	–	(13,695)	(13,695)
Dividends paid (note 13)	–	–	–	(52,775)	(52,775)
Repurchase of shares (note 27)	(8,037)	–	–	–	(8,037)
At 31 December 2015 and 1 January 2016	**928,837**	**141,191**	**–**	**(203,664)**	**866,364**
Loss and comprehensive expense for the year	**–**	**–**	**–**	**(15,404)**	**(15,404)**
Cancellation of shares repurchased (note 27)	**(1,640)**	**–**	**–**	**–**	**(1,640)**
Issuance of warrants (note 28(iii))	**–**	**–**	**1,500**	**–**	**1,500**
At 31 December 2016	**927,197**	**141,191**	**1,500**	**(219,068)**	**850,820**

Notes:

(a) Share premium

Under the Companies Act 1981 of Bermuda, where the Company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the premiums on those shares shall be transferred to the share premium account. The Company shall not declare or pay a dividend or make a distribution out of share premium.

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

(iii) Reserves (Continued)

Notes: (Continued)

(a) Share premium (Continued)

On the other hand, the Company can declare or pay a dividend or make a distribution out of contributed surplus, provided that the two conditions set forth in the paragraph headed "Contributed surplus" below are met. The amount standing to the credit of the share premium account can be reduced, with the credit arising therefrom to be transferred to the contributed surplus.

Such reduction shall be conditional upon:

1. The passing of a special resolution by the shareholder of the Company approving such reduction at a general meeting; and

2. Compliance with Section 46(2) of the Companies Act 1981 of Bermuda, including (1) publication of a notice in relation to the reduction in an appointed newspaper in Bermuda on a date not more than thirty days and not less than fifteen days before the effective date of such reduction; and (2) the Board of the Company being satisfied that on the effective date of such reduction, there are no reasonable grounds for believing that the Company is, or would after such reduction be, unable to pay its liabilities as they become due.

(b) Contributed surplus

Contributed surplus represents the aggregate of:

(i) the difference between the consolidated shareholders' funds of LifeTec (Holdings) Limited, the subsidiary which was acquired by the Company pursuant to the Group reorganisation in 1996, at the date on which the Group reorganisation became effective and the nominal amount of the share capital of the Company issued under the Group reorganisation and after distributions; and

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

In addition to the accumulated profits, under the Companies Act 1981 of Bermuda, contributed surplus is also available for distribution to shareholders. However, the Company shall not declare or pay a dividend or make a distribution out of contributed surplus if:

(i) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or

(ii) the realisable value of the Company's assets would thereby be less than its liabilities.

Financial Summary

A summary of the audited consolidated results and assets and liabilities of the Group for the past five financial years is set out below:

	For the year ended 31 December				
	2016	2015	2014	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
CONTINUING OPERATIONS					
Turnover	**1,163,347**	1,092,078	1,192,288	1,030,455	728,954
(Loss)/profit before income tax expense	**(351,748)**	(148,573)	44,888	103,789	148,422
Income tax (expense)/credit	**(3,394)**	(340)	21,653	(11)	(26,206)
(Loss)/profit for the year from continuing operations	**(355,142)**	(148,913)	66,541	103,778	122,216
DISCONTINUED OPERATION					
Profit for the year from discontinued operation	**–**	–	–	–	21,093
(Loss)/profit for the year	**(355,142)**	(148,913)	66,541	103,778	143,309
Attributable to:					
– Owners of the Company	**(380,380)**	(165,192)	58,443	96,733	126,698
– Non-controlling interests	**25,238**	16,279	8,098	7,045	16,611
	(355,142)	(148,913)	66,541	103,778	143,309

ASSETS AND LIABILITIES

	At 31 December				
	2016	2015	2014	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**915,514**	1,276,544	1,415,324	1,482,325	612,946
Total liabilities	**(292,745)**	(299,980)	(223,795)	(307,035)	(204,242)
Total equity	**622,769**	976,564	1,191,529	1,175,290	408,704

Definition

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

"2017 AGM"	the annual general meeting of the Company to be held on 25 May 2017
"Adjusted EBITDA"	the Group's profit or loss for the year attributable to owner of the Company before interest income, finance costs, income tax expense, depreciation of property, plant and equipment, amortisation for intangible assets, prepayment of machine costs recognised as expenses, gain or loss on disposal of property, plant and equipment, loss arising from assignment of intangible assets and impairment loss on intangible assets, where applicable
"Agreement"	The Patent and Technology Assignment and License Agreement dated 25 April 2016 entered into between the Group and IGT
"Audit Committee"	the audit committee of the Company
"Board"	the board of Directors
"CG Code"	the Corporate Governance Code contained in Appendix 14 to the Listing Rules
"Company"	Paradise Entertainment Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange
"Directors"	the directors of the Company
"ETG"	electronic table game
"Galaxy"	Galaxy Casino, S.A., one of the three concessionaires for operation of casino games in Macau
"GGR"	gross gaming revenue, being total net win generated by all casino gaming activities combined, calculated before deduction of commissions and other expenses, if any
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"IGT"	IGT, a Nevada corporation and a subsidiary of International Game Technology, which is listed on the New York Stock Exchange under the trading symbol "IGT"

"Licensed Products"	any Live ETG or RNG ETG, Mobile/Online Gaming Application, or associated system that (a) the manufacture, use, offer for sale, sale or importation of which is covered by any Patents, (b) is manufactured or operated using a method or process covered by any Patents, or (c) is developed, manufactured, or operated using any of the LT Game Macau Technology
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Live ETG"	the gaming systems and associated electronic gaming terminals for extending casino games that typically involve a live dealer (e.g. baccarat, roulette, blackjack, craps, etc.) to include multiple terminals for players to play the game with the dealer in real time remotely from the table at which the dealer is located
"LMG"	live multi game
"LT Game"	LT Game Limited, a company established in the British Virgin Islands with limited liability, an indirect 82%-owned subsidiary of the Company
"LT Game Macau Technology"	all technology that (a) is (i) owned by the Group or any of its affiliates or (ii) licensed to the Group or its affiliate (by a person that is not an affiliate of the Group) with the right to sublicense, in each case (i) or (ii), as of the date of the Agreement, (b) is in the possession or control of LT Game or any of its representatives as of the date of the Agreement, (c) can be licensed and disclosed to IGT upon the terms hereunder without violating any contractual restriction existing as of the date of the Agreement between the Group or its affiliate, on the one hand, and a person that is not an affiliate of the Group, on the other hand, and (d) was developed or is under development for, embodied by, included within, or used to make or operate Live ETGs or RNG ETGs only in Macau
"Macau"	the Macao Special Administrative Region of the PRC
"Mobile/Online Gaming Application"	a software application that enables play of, as or with a Live ETG or RNG ETG through a personal or mobile device, such as a phone, tablet computer, laptop computer, desktop computer or other device that is movable by the player, any associated hardware, networking or other systems that enable such application, in each case where the application is provided by or for the benefit of operators of physical or online gaming establishments (including physical and virtual casinos), physical or online lottery establishments (including agents, operators and locations that support lottery terminals), and patrons, customers and users of the foregoing, whether such uses are online or on-premises or outside of such gaming or lottery establishments, and whether for real money wagering or not

Definition

"Model Code"	the Model Code for Securities Transaction by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
"MOP"	Macau Pataca, the lawful currency of Macau
"Nomination Committee"	the nomination committee of the Company
"Patents"	all patents and patent applications that are owned by the Group and claim any Live ETG, RNG ETG or portion thereof in various countries outside of Macau and are assigned to IGT pursuant to the Agreement
"PRC"	the People's Republic of China
"Remuneration Committee"	the remuneration committee of the Company
"RMB"	Renminbi, the lawful currency of the PRC
"RNG ETG"	the gaming systems and associated electronic gaming terminals that operate separately from Live ETGs and that can simulate table game outcomes using only a software driven random number generator
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
"Share Option Scheme"	the share option scheme adopted by the Company
"Share(s)"	ordinary share(s) of HK$0.001 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Shares
"SJM"	Sociedade de Jogos de Macau, S.A., one of the three concessionaires for operation of casino games in Macau
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"U.S."	the United States of America
"US$"	United States dollars, the lawful currency of U.S.
"%"	per cent