PARADISE ENTERTAINMENT LIMITED
滙彩控股有限公司*

(Incorporated in Bermuda with limited liability)
(Stock Code : 1180)

INTERIM REPORT
2018

*For identification purposes 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

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

Authorised Representatives

Mr. Jay CHUN
Mr. CHAN Kin Man

Company Secretary

Mr. CHAN Kin Man

Registered Office

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Head Office and Principal Place of Business

Unit C, 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 Advisors

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

Independent Auditor

Deloitte Touche Tohmatsu
Certified Public Accountants

Principal Bankers

Wing Lung Bank Limited
Hang Seng Bank Limited
Bank of China (Hong Kong) Limited
Bank of China Limited, Macau Branch
Industrial and Commercial Bank of China (Macau) Limited
Luso International Banking Limited

Listing Information

Place of Listing

Main Board of the Stock Exchange

Stock Code

1180

Board Lot Size

4,000 Shares

Investor Relations

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

Website

www.hk1180.com

Corporate Communications

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Financial Review

Overview of Results

Total reported revenue of the Group for the six months ended 30 June 2018 was HK$563.9 million, representing an increase of 15.2% over that of HK$489.3 million for the six months ended 30 June 2017. The increase was mainly due to an increase in revenue from provision of casino management services as a result of an increase in GGR from the casinos under the Group's management and an increase in revenue from sale of electronic gaming equipment and systems. An analysis of the reported revenue by properties/nature is as follows:

	Six months ended 30 June	
	2018	2017
	HK$ million	HK$ million
Casinos under the Group's management:		
Casino Kam Pek Paradise	**374.6**	320.8
Casino Waldo	**134.6**	141.5
	509.2	462.3
Electronic gaming equipment and systems:		
Sale of electronic gaming equipment and systems	**49.9**	19.0
Leasing of electronic gaming equipment and systems*	**3.9**	6.7
Royalty income from IGT	**0.9**	1.3
	54.7	27.0
Total reported revenue	**563.9**	489.3

* Leasing revenue for the six months ended 30 June 2018 did not include the intercompany revenue derived from the LMG terminals deployed at the casinos under the Group's management amounting to HK$75.2 million (six months ended 30 June 2017: HK$63.2 million) which was included in the revenue of respective casinos under the Group's management in the above table

Adjusted EBITDA for the six months ended 30 June 2018 was HK$59.7 million, when compared to that of HK$0.9 million for the six months ended 30 June 2017. The following table reconciles profit (loss) for the period to Adjusted EBITDA:

	Six months ended 30 June	
	2018	2017
	HK$ million	HK$ million
Profit (loss) for the period	**26.3**	(35.3)
Adjustments for:		
Interest income	**(2.0)**	(3.0)
Finance costs	**—**	6.0
Income tax expense	**0.2**	0.4
Depreciation of property, plant and equipment	**29.1**	31.5
Gain on disposal of property, plant and equipment	**—**	(4.8)
Amortisation of intangible assets	**6.1**	6.1
Adjusted EBITDA	**59.7**	0.9

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

	Six months ended 30 June	
	2018	2017
	HK$ million	HK$ million
Casinos under the Group's management:		
Casino Kam Pek Paradise	**103.8**	43.2
Casino Waldo	**(25.3)**	(14.7)
	78.5	28.5
Electronic gaming equipment and systems:		
Sale of electronic gaming equipment and systems	**22.0**	2.8
Leasing of electronic gaming equipment and systems	**2.4**	3.3
Research and development and other costs	**(29.7)**	(18.3)
ETG distribution from IGT	**0.9**	1.3
	(4.4)	(10.9)
Other expenses	**(14.4)**	(16.7)
Adjusted EBITDA	**59.7**	0.9

The Adjusted EBITDA from the casinos under the Group's management was HK$78.5 million, representing an increase of 175.4% over that of HK$28.5 million for the six months ended 30 June 2017. The increase was mainly due to the increase in total GGR generated by the casinos under the Group's management when compared to that for the six months ended 30 June 2017.

The Adjusted EBITDA from the electronic gaming equipment and systems segment was a loss of HK$4.4 million, representing a decrease of 59.6% over that of loss of HK$10.9 million for the six months ended 30 June 2017. For the six months ended 30 June 2018, sale of electronic gaming equipment and systems contributed Adjusted EBITDA of HK$22.0 million (six months ended 30 June 2017: HK$2.8 million) to the Group. On the other hand, the Group increased its investment in research and development and other costs on new/upgraded ETG machines, slot machines, casino management systems, etc. from HK$18.3 million for the six months ended 30 June 2017 to HK$29.7 million for the six months ended 30 June 2018.

The Group recorded a profit of HK$26.3 million for the six months ended 30 June 2018, as compared to a loss of HK$35.3 million for the six months ended 30 June 2017. The turnaround from loss for the six months ended 30 June 2017 to profit for the six months ended 30 June 2018 was mainly due to the increases in revenue from provision of casino management services and revenue from sale of electronic gaming equipment and systems as described above.

Provision of Casino Management Services

The following table sets forth operational data on the provision of casino management services by the Group for the six months ended 30 June 2018 and 30 June 2017:

	Six months ended 30 June					
	2018			2017		
(Average no. of units)	**Casino Kam Pek Paradise**	**Casino Waldo**	**Total**	Casino Kam Pek Paradise	Casino Waldo	Total
Traditional gaming tables	**39**	**25**	**64**	38	25	63
LMG tables	**10**	**5**	**15**	10	5	15
LMG terminals	**1,000**	**416**	**1,416**	946	306	1,252
Slot machines	**194**	**176**	**370**	162	160	322

As at 30 June 2018, the Group had a total of 79 (31 December 2017: 79) gaming tables under management.

The following tables set out certain key operational data of mass gaming tables, LMG terminals and slot machines deployed at the two casinos under the Group's management for the six months ended 30 June 2018 and 30 June 2017:

		Casino Kam Pek Paradise		Casino Waldo	
		Six months ended 30 June			
		2018	2017	**2018**	2017
Traditional gaming tables					
GGR	*(HK$ million)*	**371.6**	331.9	**174.4**	191.1
Gaming tables	*(Average no. of tables)*	**39**	38	**25**	25
Net win/table/day	*(HK$ thousand)*	**52.6**	48.3	**38.5**	42.2
LMG tables					
GGR	*(HK$ million)*	**283.5**	234.4	**58.2**	53.2
Terminals	*(Average no. of terminals/tables)*	**1,000/10**	946/10	**416/5**	306/5
Net win/terminal/day	*(HK$)*	**1,566**	1,369	**773**	961
Net win/LMG table/day	*(HK$ thousand)*	**156.6**	129.5	**64.3**	58.8
Total gaming tables					
GGR	*(HK$ million)*	**655.1**	566.3	**232.6**	244.3
Gaming tables	*(Average no. of tables)*	**49**	48	**30**	30
Net win/table/day	*(HK$ thousand)*	**73.9**	65.2	**42.8**	45.0
Slot machines					
GGR	*(HK$ million)*	**32.4**	21.4	**4.4**	4.7
Slot machines	*(Average no. of units)*	**194**	162	**176**	160
Net win/unit/day	*(HK$)*	**923**	730	**138**	162
Total GGR	*(HK$ million)*	**687.5**	587.7	**237.0**	249.0

For the six months ended 30 June 2018, total GGR generated by Casino Kam Pek Paradise amounted to HK$687.5 million, representing an increase of 17.0% over that of the last corresponding period of HK$587.7 million. Total GGR generated by Casino Waldo for the six months ended 30 June 2018 amounted to HK$237.0 million, representing a decrease of 4.8% over that of the last corresponding period of HK$249.0 million.

Breakdown of the revenue attributable to the Group for the casinos under the Group's management for the six months ended 30 June 2018 and 30 June 2017 is as follows:

	Six months ended 30 June	
	2018	2017
	HK$ million	HK$ million
Casino Kam Pek Paradise:		
Traditional gaming tables	**204.4**	182.5
LMG tables	**155.9**	128.9
Slot machines	**14.3**	9.4
	374.6	320.8
Casino Waldo:		
Traditional gaming tables	**99.1**	108.6
LMG tables	**33.0**	30.2
Slot machines	**2.5**	2.7
	134.6	141.5
	509.2	462.3

Total revenue attributable to the Group generated by the casinos under the Group's management was HK$509.2 million, representing an increase of 10.1% over that of HK$462.3 million for the six months ended 30 June 2017. The total net increase in revenue was due to the increase of 16.8% in revenue from Casino Kam Pek Paradise which was partially offset by the decrease of 4.9% in revenue from Casino Waldo for the six months ended 30 June 2018 when compared to those for the six months ended 30 June 2017.

Development, Sale and Leasing of Electronic Gaming Equipment and Systems

Sale of Electronic Gaming Equipment and Systems

For the six months ended 30 June 2018, revenue from sale of electronic gaming equipment and systems amounted to HK$49.9 million, representing an increase of 162.6% over that of HK$19.0 million for the six months ended 30 June 2017. The sale for the six months ended 30 June 2018 represented mainly the deployment of a total of 217 LMG terminals and other accessories like X-Stadium Live at MGM Cotai upon its opening on 13 February 2018 (for the six months ended 30 June 2017: 78 LMG terminals at Wynn Macau and Legend Palace Casino at the Macau Fisherman's Wharf).

Leasing of Electronic Gaming Equipment and Systems

For the six months ended 30 June 2018, revenue from leasing of electronic gaming equipment and systems amounted to HK$3.9 million, representing a decrease of 41.8% over that of HK$6.7 million for the six months ended 30 June 2017. Leasing revenue for the six months ended 30 June 2018 comprised revenue from LMG terminals of HK$3.6 million and revenue from slot machines of HK$0.3 million (for the six months ended 30 June 2017: HK$6.7 million from LMG terminals).

The following tables set out certain key operational data of LMG terminals (excluding those LMG terminals deployed at the casinos under the Group's management) and the related revenue shared by the Group for the six months ended 30 June 2018 and 30 June 2017:

		Six months ended 30 June	
		2018	2017
GGR from LMG terminals	*(HK$ million)*	**15.2**	28.7
No. of LMG terminals	*(Average no. of terminals)*	**259**	407
Net win/terminal/day	*(HK$)*	**324**	390
Revenue sharing	*(HK$ million)*	**3.6**	6.7

For the six months ended 30 June 2018, 76 slot machines were deployed at Casino Macau Jockey Club at The Macau Roosevelt which generated GGR of HK$1.3 million. Revenue of HK$0.3 million was shared by the Group accordingly.

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 certain patents and associated technology to IGT in return for a non-refundable upfront payment of US$12.95 million (approximately HK$101.0 million) and a 15-year earn-out payment for every ETG machine deployed in the global market (other than Macau).

For the six months ended 30 June 2018, the Group recognised its share of revenue from deployment of ETG machines by IGT of HK$0.9 million (six months ended 30 June 2017: HK$1.3 million), giving an accumulated share of revenue of HK$3.8 million as at 30 June 2018.

Prospects

Macau gaming industry has witnessed consecutive growth momentum since its bounce back in the middle of 2016. In 2018 so far, Macau gaming industry has further improved as Macau GGR for the six months ended 30 June 2018 increased by 18.9% to MOP150.2 billion over that for the six months ended 30 June 2017. Macau's total visitor arrivals for the six months ended 30 June 2018 were approximately 16.8 million, representing an increase of 8.0% compared to the same period last year.

The Group currently manages two satellite casinos in the Macau Peninsula. Due to laggard effect amid market recovery, the business environment of Macau's satellite casinos remains challenging. However, we believe the visitation to Macau will shore up, thanks to the infrastructure improvements including the Hong Kong-Zhuhai-Macao Bridge, which is scheduled to commence operation very soon, together with the increasing number of tourist attractions as well as diversified entertainment and business destinations. All these efforts will fuel the long-term growth of the two satellite casinos managed by the Group.

On 1 January 2018, the new Technical Standards came into effect, which provide that all existing DETG machines should be updated on or before 31 December 2019. The publication of the Technical Standards has accelerated the upgrading and replacement cycles of all the deployed DETG machines of the Group in Macau. Being the inventor, patent-owner and sole-supplier of DETG machines, the Group is technically competent and well-positioned to provide ready-made services to offer supports to casinos currently equipped with DETG machines and assist them in meeting the requirements of the Technical Standards.

The Group strives to strengthen its leading position through technological innovation. In addition to LMG, the Group's flagship product, the Group has also been investing in developing other high-tech electronic gaming products. During the six months ended 30 June 2018, the Group has launched some of it newly developed gaming products to the market including X-Stadium Live, Intelligent Card Shoes and Quick Foreign Exchange machines, etc. in casinos in Macau and the U.S. The Group will continue to introduce new gaming products such as slot machines and automatic baccarat, etc. to the market in near future. The launch of new products is expected to add long-term sustainable growth impetus to the Group.

In order to enlarge its share in the electronic gaming equipment market in Macau and overseas, the Group has also allied with other worldwide leading providers of electronic gaming products by leveraging their extensive sales and distribution network, and commercialization expertise, etc. in distributing the Group's existing and new electronic gaming products and, on the other hand, penetrating into the distribution of their gaming products in Macau and overseas. These strategic alliances have unlocked tremendous business development opportunity to the Group.

The Group embraces synergies of its two business segments, namely provision of casino management services and development, sale and leasing of electronic gaming equipment and systems. This unique business model provides us with a privileged positioning in the market by possessing knowledge in both casino management and electronic gaming equipment and systems. We believe this will enhance the competitive edge of the Group in providing gaming technical advisory and support services to new and existing casinos or games in Macau and overseas.

Looking ahead, the Group will continue to increase its investment in high-tech gaming products, aiming to provide casinos with more diversified and upgraded products and expand its market share in the gaming industry in Macau and overseas. Overall, the Group remains cautiously optimistic about its business performance and will continue to identify new business opportunities to the Group and maximise returns to the Shareholders.

Interim Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2018.

Liquidity and Financial Resources

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

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

As at 30 June 2018, the consolidated net assets of the Group amounted to HK$603.3 million, representing an increase of HK$25.5 million or 4.4% from HK$577.8 million as at 31 December 2017. The increase in consolidated net assets of the Group during the six months ended 30 June 2018 was mainly due to the Group's profit of HK$26.3 million for the six months ended 30 June 2018.

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

As at 30 June 2018, the Group held pledged bank deposit of HK$28.8 million, bank balances and cash of HK$230.2 million and chips on hand of HK$34.9 million. The pledged bank deposit as at 30 June 2018 was a fixed deposit placed at a Macau bank which was denominated in HK$ with maturity of 12 months. Included in the bank balances and cash as at 30 June 2018 were fixed deposits of HK$133.4 million placed at banks in Macau and Hong Kong with maturities ranging from 1 to 3 months. These fixed deposits were denominated in HK$ and US$.

Borrowings and Gearing Ratio

As at 30 June 2018, other than the amounts due to Directors of HK$2.0 million which were unsecured, interest-free and repayable on demand, the Group had no outstanding borrowing.

The Group's gearing ratio (expressed as a percentage of borrowings over net assets) as at 30 June 2018 was 0.3% (31 December 2017: 0.5%).

As at 30 June 2018 the Group had net cash (being total of pledged bank deposit, bank balances and cash, and chips on hand less borrowings) of HK$291.9 million (31 December 2017: HK$281.4 million).

During the six months ended 30 June 2018, the Group did not employ any financial instruments for hedging purposes.

Connected Transaction

On 12 February 2018, LT Game entered into an agency agreement with Shanghai Libiao Industrial Co., Ltd.[#] (上海力標實業有限公司) ("Shanghai Libiao"), a company incorporated in the PRC and wholly-owned by Mr. Hu Liming, an executive Director, pursuant to which LT Game has engaged Shanghai Libiao as its agent for the purposes of certain procurement transactions to, among others, procure the research and development of, and purchase the gaming equipment from an independent supplier, the maximum consideration for which is RMB27,500,000 (equivalent to approximately HK$34,098,000). The term of the agency agreement commenced from the date of the agency agreement and will expire on the completion of the procurement transactions, which is expected to be in 2020, or on 31 December 2020, whichever is earlier. In return for the performance of the above services under the agency agreement, LT Game will pay a one-off agency fee of RMB100,000 (equivalent to approximately HK$124,000) in cash to Shanghai Libiao upon completion of the procurement transaction.

LT Game is an indirect non-wholly owned subsidiary of the Company and Shanghai Libiao is wholly-owned by Mr. Hu Liming, an executive Director, therefore, Shanghai Libiao is an associate of Mr. Hu Liming and a connected person of the Company, the transaction under the agency agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Further details regarding the agency agreement with Shanghai Libiao are set out in the Company's announcement dated 12 February 2018.

[#] *For identification purposes only*

Acquisition of the Properties

On 15 June 2018, the Purchaser (an indirect wholly-owned subsidiary of the Company) entered into the Provisional S&P Agreement, pursuant to which the Purchaser has agreed to purchase and the Vendor has agreed to sell the Properties at a consideration of HK$128,500,000. Upon signing of the Provisional S&P Agreement, the Purchaser paid an initial deposit of HK$2,000,000 to the Vendor.

On 21 June 2018, a sale and purchase agreement was entered into between the Purchaser and the Vendor in relation to the acquisition of the Properties and the Purchaser paid an additional deposit of HK$10,850,000, such that the sum of the initial deposit and the additional deposit paid to the Vendor was equivalent to 10% of the consideration. As at 30 June 2018, the Group has paid a total deposit of HK$12,850,000 to the Vendor in relation to the acquisition of the Properties. The balance of the purchase consideration of HK$115,650,000 will be paid on completion of the acquisition of the Properties which is expected to take place on or before 15 October 2018, subject to the satisfaction of the customary conditions precedent set out in the sale and purchase agreement. The consideration for the acquisition of the Properties will be funded by internal resources of the Group and bank loan.

The Properties are intended to be used by the Group for inventory storage. At present, the Group leases certain warehouses for storing its inventories including, among other things, electronic gaming machines, equipment and spare parts in its ordinary and usual course of business. The Directors consider that the acquisition can reduce the Group's ongoing rental expenses. The acquisition of the Properties constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. Further details regarding the acquisition of the Properties are set out in the Company's announcement dated 19 June 2018.

Capital Commitments

As at 30 June 2018, the Group had capital commitment in respect of acquisition of property, plant and equipment which is contracted but not provided for of HK$117.3 million (31 December 2017: HK$5.8 million). The capital commitment as at 30 June 2018 included the balance of the purchase consideration in relation to the acquisition of the Properties amounting to HK$115.7 million which will be paid on completion of the acquisition of the Properties.

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 30 June 2018, a fixed deposit of HK$28.8 million placed at a bank was pledged to secure for a guarantee in the amount of HK$28.8 million issued by the bank for the period from 30 April 2018 to 31 March 2020 in favour of SJM for the Group's fulfilment of all its obligations, in particular for reimbursement by the Group to SJM of the employees' salaries and benefits for those gaming operation employees employed by SJM who work for the casino under the Group's management, as stipulated under the service agreement (and all related supplemental agreements) entered into between SJM and the Group for provision of casino management services by the Group to SJM.

Contingent Liabilities

As at 30 June 2018, the Group did not have any significant contingent liabilities.

Employees and Remuneration Policy

As at 30 June 2018, the Group had approximately 1,150 employees, including approximately 710 gaming operation employees who were employed by SJM or Galaxy to work for the respective casinos under the Group's management. These gaming operation employees were paid by SJM or Galaxy and the Group reimbursed SJM or Galaxy in full for their salaries and other benefits.

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

Directors' and Chief Executives' Interests in Securities

As at 30 June 2018, the interests and short positions of the Directors and the chief executives of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Name of Directors	Name of company/ associated corporation	Capacity/ nature of interests	Number of Shares[(1)]	Approximate aggregate percentage of interests[(4)]
Mr. Jay Chun	The Company	Beneficial owner	124,160	0.01%
	The Company	Interest of controlled corporation	630,836,720[(2)]	59.95%
			630,960,880	59.96%
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 30 June 2018.

Save as disclosed, none of the Directors and the chief executives of the Company was interested or had any short position in any Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as at 30 June 2018.

Share Options

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

No options were granted by the Company under any share option scheme of the Company and no equity settled employees benefit (including Directors' emoluments) was recognised during the six months ended 30 June 2018. There was no share option outstanding under any share option scheme during the six months ended 30 June 2018.

As at the date of this report, the total number of share options available for issue under the Share Option Scheme is 105,218,531 share options, representing 10% of the Shares in issue as at the date of adoption of the Share Option Scheme, that is 25 May 2017.

Substantial Shareholders' Interests in Shares

As at 30 June 2018, according to the register of interests kept by the Company under section 336 of the SFO, and so far as was known to the Directors or chief executives of the Company, the following persons or corporations, other than Directors or chief executives of the Company, had an interest in the Shares of the Company, which would require to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at a general meeting of the Company:

Name of company	Number of Shares[1]	Approximate percentage of interests[3]
August Profit Investments Limited[2]	630,836,720	59.95%
FIL Limited	73,084,000	6.95%

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 30 June 2018.

Save as disclosed above, as at 30 June 2018, 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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's Shares during the six months ended 30 June 2018.

Update on Directors' Information

Biographical details of each of the Directors are set out in the Annual Report 2017 of the Company dated 26 March 2018.

The Company is not aware of any changes in the Directors' information which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules subsequent to the date of the Annual Report 2017 of the Company.

Corporate Governance

Compliance with the CG Code

In the opinion of the Board, the Company has complied with the CG Code throughout the six months ended 30 June 2018, save for the following deviations:

Code Provision A.2.1

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

Code Provision A.4.1

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

Compliance with the Model Code

The Company has adopted the Model Code as the code of conduct regarding 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 six months ended 30 June 2018.

Review of Interim Report 2018 and Unaudited Condensed Consolidated Financial Statements

The Interim Report 2018 including the unaudited condensed consolidated financial statements of the Company for the six months ended 30 June 2018 has been reviewed by the audit committee of the Company. The unaudited condensed consolidated financial statements of the Company for the six months ended 30 June 2018 have also been reviewed by Deloitte Touch Tohmatsu, the Company's independent auditor, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

Events After the Reporting Period

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

By Order of the Board
Paradise Entertainment Limited

Jay Chun
Chairman and Managing Director

Hong Kong, 22 August 2018

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

Introduction

We have reviewed the condensed consolidated financial statements of Paradise Entertainment Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 16 to 40, which comprise the condensed consolidated statement of financial position as of 30 June 2018 and the related condensed consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
22 August 2018

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2018

		Six months ended 30 June	
		2018	2017
	Notes	**HK$'000**	HK$'000
		(unaudited)	(unaudited)
Revenue	3	**563,928**	489,276
Cost of sales and services		**(317,051)**	(308,046)
Gross profit		**246,877**	181,230
Other income, gains and losses		**7,492**	14,294
Marketing, selling and distribution costs		**(107,336)**	(105,033)
Operating and administrative expenses		**(114,418)**	(113,372)
Amortisation of intangible assets		**(6,069)**	(6,069)
Finance costs	5	**—**	(5,987)
Profit (loss) before taxation	6	**26,546**	(34,937)
Taxation	7	**(225)**	(383)
Profit (loss) for the period		**26,321**	(35,320)
Profit (loss) for the period attributable to:			
— owners of the Company		**25,313**	(40,221)
— non-controlling interests		**1,008**	4,901
		26,321	(35,320)
Earnings (loss) per share:	9		
— Basic		**HK2.4 cents**	HK(3.8) cents
— Diluted		**N/A**	HK(3.8) cents

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Profit (loss) for the period	**26,321**	(35,320)
Other comprehensive (expense) income:		
Item that will not be reclassified subsequently to profit or loss:		
Fair value loss on investment in equity instruments designated at fair value through other comprehensive income	**(271)**	—
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**(469)**	158
Fair value gain on available-for-sale investment in equity securities	**—**	1,082
	(469)	1,240
Other comprehensive (expense) income for the period	**(740)**	1,240
Total comprehensive income (expense) for the period	**25,581**	(34,080)
Total comprehensive income (expense) for the period attributable to:		
— owners of the Company	**24,625**	(39,177)
— non-controlling interests	**956**	5,097
	25,581	(34,080)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2018

	Notes	At 30 June 2018 HK$'000 (unaudited)	At 31 December 2017 HK$'000 (audited)
Non-current assets			
Property, plant and equipment	10	**118,163**	134,920
Intangible assets		**86,988**	93,057
Available-for-sale investment in equity securities	11	**—**	2,706
Investment in equity instruments designated at fair value through other comprehensive income	11	**2,435**	—
Other assets	12	**30,770**	15,650
		238,356	246,333
Current assets			
Inventories		**53,800**	62,675
Trade and other receivables	13	**177,280**	169,646
Finance lease receivables	15	**—**	11,393
Amount due from a related company	16	**508**	583
Pledged bank deposit	17	**28,800**	—
Bank balances and cash		**230,185**	250,848
		490,573	495,145
Current liabilities			
Trade and other payables	18	**111,867**	148,882
Amounts due to directors	16	**2,037**	2,973
Taxation payable		**11,689**	11,868
		125,593	163,723
Net current assets		**364,980**	331,422
Total assets less current liabilities		**603,336**	577,755
Capital and reserves			
Share capital	19	**1,052**	1,052
Reserves		**550,224**	525,599
Equity attributable to owners of the Company		**551,276**	526,651
Non-controlling interests		**52,060**	51,104
		603,336	577,755

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

	Attributable to owners of the Company									
	Share capital HK$'000	**Share premium HK$'000**	**Warrant reserve HK$'000** *(note ii)*	**Contributed surplus HK$'000** *(note iii)*	**Investment revaluation reserve HK$'000**	**Translation reserve HK$'000**	**Accumulated losses HK$'000**	**Total HK$'000**	**Non-controlling interests HK$'000**	**Total HK$'000**
At 1 January 2018 (audited)	**1,052**	**–**	**–**	**1,046,809**	**1,304**	**21,892**	**(544,406)**	**526,651**	**51,104**	**577,755**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**25,313**	**25,313**	**1,008**	**26,321**
Other comprehensive expense for the period	**–**	**–**	**–**	**–**	**(222)**	**(466)**	**–**	**(688)**	**(52)**	**(740)**
Total comprehensive (expense) income for the period	**–**	**–**	**–**	**–**	**(222)**	**(466)**	**25,313**	**24,625**	**956**	**25,581**
At 30 June 2018 (unaudited)	**1,052**	**–**	**–**	**1,046,809**	**1,082**	**21,426**	**(519,093)**	**551,276**	**52,060**	**603,336**

For the six months ended 30 June 2017

	Attributable to owners of the Company									
	Share capital HK$'000	Share premium HK$'000	Warrant reserve HK$'000 *(note ii)*	Contributed surplus HK$'000 *(note iii)*	Investment revaluation reserve HK$'000	Translation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2017 (audited)	1,052	927,197	1,500	119,612	–	21,046	(515,208)	555,199	67,570	622,769
(Loss) profit for the period	–	–	–	–	–	–	(40,221)	(40,221)	4,901	(35,320)
Other comprehensive income for the period	–	–	–	–	887	157	–	1,044	196	1,240
Total comprehensive income (expense) for the period	–	–	–	–	887	157	(40,221)	(39,177)	5,097	(34,080)
Reduction of share premium *(note i)*	–	(927,197)	–	927,197	–	–	–	–	–	–
At 30 June 2017 (unaudited)	1,052	–	1,500	1,046,809	887	21,203	(555,429)	516,022	72,667	588,689

Notes:

(i) The reduction of share premium represented the transfer of entire balance of share premium to the contributed surplus, which was approved by the shareholders of the Company at the special general meeting of the Company held on 26 June 2017.

(ii) The warrant reserve represented 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 (subject to adjustment) at any time during the one-year period commencing from 31 October 2016. No warrant was exercised since its issuance up to its expiry on 31 October 2017 and the amount was transferred to accumulated losses upon expiry.

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Net cash from (used in) operating activities	**35,067**	(10,702)
Investing activities		
Interest received	**1,205**	2,296
Repayment from a related company	**75**	5,931
Advance to an associate	**—**	(18)
Purchases of property, plant and equipment	**(7,184)**	(8,557)
Deposits paid for acquisition of property, plant and equipment	**(19,648)**	(85)
Placement of pledged bank deposit	**(28,800)**	—
Net cash used in investing activities	**(54,352)**	(433)
Financing activities		
Repayments to directors	**(936)**	(2,723)
Repayment of promissory note	**—**	(94,000)
Cash used in financing activities	**(936)**	(96,723)
Net decrease in cash and cash equivalents	**(20,221)**	(107,858)
Effect of foreign exchange rate changes	**(442)**	113
Cash and cash equivalents at 1 January	**250,848**	307,754
Cash and cash equivalents at 30 June, represented by		
Bank balances and cash	**230,185**	200,009

1. General

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

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

2. Significant accounting policies

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

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2018 are the same as those followed in the preparation of the annual financial statements of the Company and its subsidiaries (collectively referred as the "Group") for the year ended 31 December 2017.

Except as disclosed in notes 2.1 and 2.2 below, the application of other new and amendments to HKFRSs in the current interim period has had no material effect on the Group's financial performance and positions for the current and prior interim periods and/or disclosures set out in these condensed consolidated financial statements.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatorily effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

2. Significant accounting policies (Continued)

Application of new and amendments to HKFRSs (Continued)

In addition, the Group has applied Amendments to HKFRS 9 Prepayment Features with Negative Compensation in advance of the effective date, i.e. 1 January 2019.

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

2.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations.

The Group recognises revenue from the following major sources:

- provision of casino management services
- development, sale and leasing of electronic gaming equipment and systems

The Group has applied the full retrospective method of transition to HKFRS 15 and no comparative figures have been restated as the impact is negligible.

2.1.1 Key changes in accounting policies resulting from application of HKFRS 15

HKFRS 15 introduces a 5-step approach when recognising revenue:

- 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 Group satisfies a performance obligation.

Under HKFRS 15, the Group 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.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

2. Significant accounting policies (Continued)

Application of new and amendments to HKFRSs (Continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers (Continued)

2.1.1 Key changes in accounting policies resulting from application of HKFRS 15 (Continued)

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Principal versus agent

When another party is involved in providing services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified services itself (i.e. the Group is a principal) or to arrange for those services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified services before that service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified services by another party. In this case, the Group does not control the specified services provided by another party before that services is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified services to be provided by the other party.

The directors of the Company considered that the Group act as a principal for casino management services operations with services provided to gaming operators as the Group controls the specified service to be provided by the Group before service transferred to a customer.

Warranties

As a customer does not have the option to purchase a warranty which provides assurance that the product complies with agreed-upon specifications separately, the Group accounts for the warranty in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets.

2. Significant accounting policies (Continued)

Application of new and amendments to HKFRSs (Continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers (Continued)

2.1.2 Summary of effects arising from initial application of HKFRS 15

The directors of the Company do not anticipate that the application of HKFRS 15 has a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments

In the current period, the Group has applied HKFRS 9 Financial Instruments and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 Financial Instruments: Recognition and Measurement.

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9

<u>Classification and measurement of financial assets</u>

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value, including unquoted equity investments measured at cost less impairment under HKAS 39.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the 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.

Debt instruments that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the 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.

2. Significant accounting policies (Continued)

Application of new and amendments to HKFRSs (Continued)

2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments (Continued)

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (Continued)

Classification and measurement of financial assets (Continued)

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL"), except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("OCI") if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 Business Combinations applies.

In addition, the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Investment in equity instruments designated as at FVTOCI

At the date of initial application/initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate AFS investment in equity securities as at FVTOCI.

Investment in equity instruments designated at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the investment revaluation reserve, and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity instruments, and will be transferred to accumulated losses.

Dividends on these investment in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established in accordance with HKFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income, gains and losses" line item in profit or loss.

The directors of the Company reviewed and assessed the Group's financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date. Changes in classification and measurement on the Group's financial assets and the impacts thereof are detailed in note 2.2.2.

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including finance lease receivables, trade receivables from gaming operators and customers in relation to sale and leasing of gaming equipment and systems, loan receivable, other receivables including chips on hand, amount due from a related company, pledged bank deposit and bank balances). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

2. Significant accounting policies (Continued)

Application of new and amendments to HKFRSs (Continued)

2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments (Continued)

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (Continued)

Impairment under ECL model (Continued)

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for finance lease receivables and trade receivables. The ECL on these assets are assessed individually for receivables with significant balances and/or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the ability of the debtor to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; or
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the ability to meet its debt obligations.

2. Significant accounting policies (Continued)

Application of new and amendments to HKFRSs (Continued)

2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments (Continued)

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (Continued)

Impairment under ECL model (Continued)

Significant increase in credit risk (Continued)

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

As at 1 January 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9.

2. Significant accounting policies (Continued)

Application of new and amendments to HKFRSs (Continued)

2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments (Continued)

2.2.2 Summary of effects arising from initial application of HKFRS 9

	AFS investment in equity securities HK$'000	**Investment in equity instruments designated at FVTOCI** HK$'000
Closing balance at 31 December 2017		
— HKAS 39	2,706	—
Effect arising from initial application of HKFRS 9:		
Reclassification		
From AFS to FVTOCI *(note (a))*	(2,706)	2,706
Opening balance at 1 January 2018	—	2,706

Notes:

(a) AFS investment in equity securities

Reclassification from AFS investment in equity securities to investment in equity instruments designated at FVTOCI

The Group elected to present in OCI for the fair value changes of all its investment in equity securities previously classified as AFS investment in equity securities. These securities are not held for trading and not expected to be sold in the foreseeable future. At the date of initial application of HKFRS 9, HK$2,706,000 were reclassified from AFS investment in equity securities to investment in equity instruments designated at FVTOCI. The fair value gain of HK$1,304,000 relating to those instruments previously carried at fair value continued to accumulate in investment revaluation reserve.

(b) No additional impairment allowance was recognised at 1 January 2018 and further assessment process is set out in note 14.

3. Revenue

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

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Recognised over time:		
Casino management services:		
— Provision of casino management services	**509,162**	462,327
Electronic gaming equipment and systems:		
— Leasing of electronic gaming equipment and systems	**3,960**	6,698
— Royalty income	**929**	1,267
	4,889	7,965
	514,051	470,292
Recognised at a point in time:		
Electronic gaming equipment and systems:		
— Sale of electronic gaming equipment and systems	**49,877**	18,984
	563,928	489,276

4. Segment information

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

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

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

4. Segment information (Continued)

Information regarding the above segments is reported below:

For the six months ended 30 June 2018 (unaudited)

	Casino management services HK$'000	Gaming systems HK$'000	Unallocated HK$'000	Consolidated HK$'000
Segment revenue	509,162	54,766		563,928
Segment results	47,956	(6,390)		41,566
Unallocated corporate income				7
Unallocated corporate expenses				(15,027)
Profit before taxation				26,546
Taxation				(225)
Profit for the period				26,321
Other information				
Capital expenditure	8,128	4,822	160	13,110
Amortisation of intangible assets	6,069	—	—	6,069
Depreciation of property, plant and equipment	25,672	2,850	592	29,114

4. Segment information (Continued)

For the six months ended 30 June 2017 (unaudited)

	Casino management services HK$'000	Gaming systems HK$'000	Unallocated HK$'000	Consolidated HK$'000
Segment revenue	462,327	26,949		489,276
Segment results	701	(14,089)		(13,388)
Unallocated corporate income				384
Unallocated corporate expenses				(15,946)
Finance costs				(5,987)
Loss before taxation				(34,937)
Taxation				(383)
Loss for the period				(35,320)
Other information				
Capital expenditure	7,732	804	21	8,557
Amortisation of intangible assets	6,069	—	—	6,069
Depreciation of property, plant and equipment	28,359	2,852	319	31,530

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

5. Finance costs

	Six months ended 30 June 2018 HK$'000 (unaudited)	Six months ended 30 June 2017 HK$'000 (unaudited)
Imputed interest on promissory note	**–**	5,987

6. Profit (loss) before taxation

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Profit (loss) before taxation has been arrived at after charging (crediting):		
Amortisation of intangible assets	**6,069**	6,069
Cost of inventories recognised as expenses	**15,001**	5,241
Depreciation of property, plant and equipment	**29,114**	31,530
Impairment loss recognised in respect of amount due from an associate	**—**	18
Operating lease rentals in respect of rented premises	**31,024**	29,700
Research and development expenditure *(note)*	**30,289**	18,638
Loss (gain) on disposal of property, plant and equipment	**2**	(4,814)

Note: Research and development expenditure for the six months ended 30 June 2018 of HK$30,289,000 (six months ended 30 June 2017: HK$18,638,000) includes staff costs of HK$16,883,000 (six months ended 30 June 2017: HK$11,966,000), depreciation expenses of HK$461,000 (six months ended 30 June 2017: HK$503,000), operating lease expenses of HK$1,171,000 (six months ended 30 June 2017: HK$1,036,000) and other expenses of HK$11,774,000 (six months ended 30 June 2017: HK$5,133,000).

7. Taxation

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Current tax charge		
— Lump Sum Dividend Tax	**189**	166
— PRC Enterprise Income Tax	**36**	200
— Tax in other jurisdictions	**—**	17
	225	383

The provision for taxation is calculated on the assessable profit for operating subsidiaries established in Macao Special Administrative Region ("Macau") of the People's Republic of China (the "PRC") at the Macau Complementary Tax ("Macau CT") rate of 12% prevailing in Macau, for operating subsidiaries established in the PRC at the PRC Enterprise Income Tax rate of 25% prevailing in the PRC. Taxation for overseas subsidiaries, except for those incorporated in Macau and the PRC, are charged at the appropriate current rate of taxation ruling in the relevant countries.

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

7. Taxation (Continued)

Pursuant to the confirmation letters issued by the Financial Services Bureau of the Macau government dated 15 August 2017, the revenue generated from the service agreement signed between LT (Macau) Limited ("LT Macau"), a wholly-owned subsidiary of the Company incorporated in Macau, and Sociedade de Jogos de Macau, S.A. ("SJM") is not subject to Macau CT for the years ended/ending 31 December 2017 to 2019 and the three months ending 31 March 2020, respectively, since it is derived from SJM's gaming revenue, for which gaming revenue is exempted from Macau CT pursuant to the terms of no. 2 of article 28 of the Law 16/2001 and the exemption granted by Despatch no. 378/2011 of 23 November 2011.

Pursuant to the approval letter issued by the Financial Services Bureau of the Macau government dated 15 August 2017, LT Macau is obligated to pay an annual lump sum dividend withholding tax of Macau Pataca ("MOP") 389,000 (equivalent to HK$378,000) for each of the years ended/ending 31 December 2017 to 2019 and MOP97,000 (equivalent to HK$94,000) for the three months ending 31 March 2020 as payment in lieu of Macau CT otherwise due by the shareholders of LT Macau on dividend distributions from gaming profits generated in relation to the operation of the casinos at Casino Kam Pek Paradise, Casino Lisboa, and Casino Macau Jockey Club. These annual lump sum tax payments are required regardless of whether dividends were actually distributed or whether LT Macau had distributable profits in the relevant years. For the six months ended 30 June 2018, provision for taxation of HK$189,000 (six months ended 30 June 2017: HK$166,000) has been recognised which was charged to the condensed consolidated statement of profit or loss.

No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future taxable profit streams.

8. Dividend

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

9. Earnings (loss) per share

The calculation of basic and diluted earnings (loss) per share attributable to the owners of the Company is based on the following data:

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Profit (loss) for the period attributable to the owners of the Company for the purposes of basic and diluted earnings (loss) per share	**25,313**	(40,221)

	Six months ended 30 June	
	2018	2017
	'000	'000
	(unaudited)	(unaudited)
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings (loss) per share	**1,052,185**	1,052,185

9. Earnings (loss) per share (Continued)

For the six months ended 30 June 2018, no diluted earnings per share was presented as there were no dilutive potential ordinary shares.

For the six months ended 30 June 2017, diluted loss per share was the same as the basic loss per share as the computation of the diluted loss per share does not assume the exercise of the Company's warrants because the assumed exercise would result in a decrease in loss per share.

10. Property, plant and equipment

	At 30 June 2018 HK$'000 (unaudited)	At 31 December 2017 HK$'000 (audited)
Carrying amounts		
Leasehold improvements	**46,012**	47,672
Plant and machinery	**57,578**	70,233
Furniture, fixtures and office equipment	**8,873**	10,396
Motor vehicles	**5,700**	6,619
	118,163	134,920

During the six months ended 30 June 2018, the Group incurred HK$13,110,000 (six months ended 30 June 2017: HK$8,557,000) on acquisition of property, plant and equipment.

11. Available-for-sale investment in equity securities/investment in equity instruments designated at fair value through other comprehensive income

The amount comprises equity shares listed on the Tokyo Stock Exchange that are carried at fair value. The management of the Company estimated the fair value of the equity shares with reference to their quoted bid price in an active market at the end of the reporting period.

12. Other assets

	At 30 June 2018 HK$'000 (unaudited)	At 31 December 2017 HK$'000 (audited)
Deposits paid for acquisitions of property, plant and equipment	**22,510**	6,862
Rental deposits	**8,260**	8,788
	30,770	15,650

13. Trade and other receivables

	At 30 June 2018 HK$'000 (unaudited)	At 31 December 2017 HK$'000 (audited)
Trade receivables, net *(note i)*	**73,861**	65,258
Chips on hand *(note ii)*	**34,912**	33,607
Deposits paid	**41,566**	42,198
Loan receivable *(note iii)*	**15,600**	15,600
Other receivables and prepayments *(note iii)*	**11,341**	12,983
	177,280	169,646

Notes:

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

Before accepting any new customer, the Group gathers and assesses the credit information of the potential customer in considering the customer's quality and determining the credit limits for that customer. Recoverability and credit limit of the existing customers are reviewed by the Group regularly. At the end of the reporting period, included in the Group's trade receivable balances are receivables with aggregate carrying amount of HK$61,141,000 (31 December 2017: HK$62,070,000), which are neither past due nor impaired.

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

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

	At 30 June 2018 HK$'000 (unaudited)	At 31 December 2017 HK$'000 (audited)
Age		
0–30 days	**61,208**	62,076
31–60 days	**218**	1,043
61–90 days	**593**	390
91–180 days	**10,270**	830
181–365 days	**1,374**	324
Over 365 days	**198**	595
	73,861	65,258

13. Trade and other receivables (Continued)

Notes: (Continued)

(i) (Continued)

Included in balance of the Group's trade receivables (net of allowance) as at 30 June 2018 are receivables with an aggregate carrying amount of HK$12,720,000 (31 December 2017: HK$3,188,000), which is past due at the end of the reporting period for which the Group has not provided for impairment loss. The trade receivables which are past due but not impaired were either settled subsequent to the end of the reporting period or receivables which do not have historical default of payments. The Group does not hold any collateral over these balances.

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

(iii) Pursuant to a loan agreement dated 5 October 2016, LT View Limited, a wholly-owned subsidiary of the Company incorporated in the British Virgin Islands (the "BVI"), 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 (equivalent to HK$15,600,000) with interest charged at the rate of 8% per annum. The loan is unsecured and guaranteed by Mr. Pak Suil, who holds an 18% shareholding in, and is a director of, LT Game Limited, an indirect subsidiary of the Company incorporated in the BVI. Pursuant to the loan agreement and the two amendments to the loan agreement dated 4 October 2017 and 4 April 2018 (collectively referred to as the "Loan Agreement"), the maturity date of the loan principal and accrued interest thereon is 5 October 2018.

At 30 June 2018, HK$2,168,000 (31 December 2017: HK$1,549,000) was included in other receivables and prepayments in respect of the interest receivable pursuant to the Loan Agreement.

14. Impairment assessment on financial assets subject to ECL model

As part of the Group's credit risk management, the Group applies internal credit rating for its customers in relation to its gaming operations. Except for trade receivables from gaming operators and certain customers in relation to sale and leasing of electronic gaming equipment and systems and finance lease receivables as below, the Group assessed the ECL for the trade receivables collectively based on provision matrix as at 1 January 2018 and 30 June 2018. No impairment allowance for the remaining trade receivables in relation to sale and leasing of electronic gaming equipment and systems was provided based on the provision matrix since the loss given default and exposure at default are significantly reduced as due to the low probability of default of those receivables based on historical credit loss experience. The directors of the Company have also considered reasonable and supportable best information available without undue cost or effort including historical evidences and forward looking information, such as, but not limited to, expected growth rate of gaming industry and subsequent settlement, and concluded that there is no significant increase in credit risk.

In addition, trade receivables from gaming operators and certain customers in relation to sale and leasing of gaming equipment and systems and finance lease receivables with aggregated amount of HK$68,583,000 as at 30 June 2018 were assessed individually and not included in provision matrix, there were no additional impairment allowance or movements in the allowance for doubtful debts during the current interim period. Allowance for doubtful debts with an aggregate balance of HK$287,000 (31 December 2017: HK$287,000) represents individually impaired trade receivables in relation to sale and leasing of gaming equipment and systems as the directors of the Company considered the outstanding balances from these trade receivables were uncollectible.

For the pledged bank deposit and bank balances, no allowance for impairment was made since the directors of the Company consider the probability of default is negligible as such amounts are receivable from or placed in banks in Macau and Hong Kong having reputation.

14. Impairment assessment on financial assets subject to ECL model (Continued)

For the loan receivable, no allowance for impairment was made since the directors of the Company consider the loss given default is minimal with reference to a guarantee provided by Mr. Pak Suil, who holds an 18% shareholding in, and is a director of, LT Game Limited, an indirect subsidiary of the Company incorporated in the BVI.

For other receivables including chips on hand and amount due from a related company, no allowance for impairment was made since the directors of the Company consider the probability of default is minimal after assessing the counter-parties' financial background and creditability.

15. Finance lease receivables

	Minimum lease receipts		Present value of minimum lease receipts	
	At 30 June 2018 HK$'000 (unaudited)	At 31 December 2017 HK$'000 (audited)	**At 30 June 2018 HK$'000 (unaudited)**	At 31 December 2017 HK$'000 (audited)
Finance lease receivables (net of allowance) comprise:				
Within one year	–	11,535	–	11,393
Less: unearned finance lease income	–	(142)	–	N/A
Present value of minimum lease receipts	–	11,393	–	11,393

At 31 December 2017, effective interest rates of the finance leases ranged from 5.71% to 6.31% per annum.

At 31 December 2017, finance lease receivables were secured by the plant and machinery leased. The Group was not permitted to sell or repledge the collateral in the absence of default by the lessee.

16. Amount due from a related company/amounts due to directors

The amount due from a related company is unsecured, interest-free and repayable on demand.

The amounts due to directors represent amount of HK$953,000 (31 December 2017: HK$1,769,000) payable to Mr. Jay Chun, chairman and an executive director of the Company, amount of HK$944,000 (31 December 2017: HK$944,000) payable to Mr. Shan Shiyong, alias, Sin Sai Yung, an executive director of the Company, and amounts in aggregate of HK$140,000 (31 December 2017: HK$260,000) payable to other directors of the Company. The amounts are unsecured, interest-free and repayable on demand.

17. Pledged bank deposit

The amount represents a bank deposit pledged to secure a bank facility granted to a subsidiary of the Company. The bank facility represents a bank guarantee amounting to MOP29,635,000 (equivalent to HK$28,772,000) for the period from 30 April 2018 to 31 March 2020, which is in favour of SJM for the Group's fulfilment of all its obligations, in particular for reimbursement by the Group to SJM of the employee's salaries and benefits for those gaming operation employees employed by SJM who work for the casino under the Group's management, as stipulated under the service agreement (and all related supplemental agreements) entered into between SJM and the Group for provision of casino management services by the Group to SJM.

18. Trade and other payables

	At 30 June 2018 HK$'000 (unaudited)	At 31 December 2017 HK$'000 (audited)
Trade payables	**33,407**	38,183
Accrued staff costs	**27,568**	28,610
Accrued promotional expenses	**30,983**	29,403
Deposits received	**1,021**	29,793
Other sundry payables	**11,083**	14,892
Other accrued expenses	**7,805**	8,001
	111,867	148,882

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

	At 30 June 2018 HK$'000 (unaudited)	At 31 December 2017 HK$'000 (audited)
Age		
0–30 days	**19,796**	10,711
31–60 days	**183**	4,893
61–90 days	**2,234**	3,104
91–365 days	**6,165**	14,334
Over 365 days	**5,029**	5,141
	33,407	38,183

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

The Group provides numerous products to its customers. There is often a timing difference between the cash payment by the customers and recognition of revenue for each of the associated performance obligations. The liability associated with contracts with customers represents deposits received from customers.

The deposits received from customers are for future goods provided by the Group. The majority of these goods are expected to be recognised as revenue to be within one year of being received.

18. Trade and other payables (Continued)

The following table summarises the liability activity related to contracts with customers:

	Deposits received from customers	
	2018	2017
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Balance at 1 January	**28,772**	9,346
Decrease	**(28,772)**	(8,031)
Balance at 30 June	**–**	1,315

19. Share capital

	Number of shares	Amount
	'000	HK$'000
Ordinary shares of HK$0.001 each		
Authorised:		
At 1 January 2017 (audited), 31 December 2017 (audited) and 30 June 2018 (unaudited)	1,000,000,000	1,000,000
Issued and fully paid:		
At 1 January 2017 (audited), 31 December 2017 (audited) and 30 June 2018 (unaudited)	1,052,185	1,052

20. Operating lease commitments

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

	At 30 June 2018	At 31 December 2017
	HK$'000	HK$'000
	(unaudited)	(audited)
Within one year	**73,460**	41,666
In the second to fifth year inclusive	**17,658**	33,942
	91,118	75,608

Operating lease payments represent rentals payable by the Group for a director's quarters, certain of its warehouse facilities and office premises. Leases of rented premises are negotiated for terms ranging from one to six (31 December 2017: one to six) years.

21. Capital commitments

	At 30 June 2018 HK$'000 (unaudited)	At 31 December 2017 HK$'000 (audited)
Capital expenditure in respect of property, plant and equipment contracted for but not provided for in the condensed consolidated financial statements	**117,311**	5,773

22. Fair value measurements of financial instruments

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

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

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

23. Related party transactions

Except for disclosure elsewhere in the condensed consolidated financial statements, the Group had the following significant transactions during the reporting period with related parties:

	Six months ended 30 June	
	2018 HK$'000 (unaudited)	2017 HK$'000 (unaudited)
Sale of electronic gaming equipment and systems *(note i)*	**376**	—
Consultancy fee *(note ii)*	**270**	240
Staff costs *(note iii)*	**2,481**	1,985

Notes:

(i) The related party is a company wholly-owned by the brother-in-law of Mr. Jay Chun, the chairman and an executive director of the Company. These transactions constitute continuing connected transactions for the purpose of Chapter 14A of the Listing Rules.

(ii) The related party is the brother-in-law of Mr. Jay Chun, the chairman and an executive director of the Company.

(iii) 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.

DEFINITIONS

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

"Adjusted EBITDA"	the Group's profit or loss for the period before interest income, finance costs, income tax expense, depreciation of property, plant and equipment, amortisation of intangible assets, gain or loss on disposal of property, plant and equipment, and costs incurred or associated with corporate exercises or potential projects, where applicable
"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
"DETG"	Dealer-operated electronic table game
"DICJ"	Direcção de Inspecção e Coordenação de Jogos, the Gaming Inspection and Coordination Bureau in Macau
"Director(s)"	the director(s) of the Company
"ETG"	electronic table game
"Galaxy"	Galaxy Casino, S.A., one of the three concessionaires for operation of casinos in Macau
"GGR"	gross gaming revenue, being total net win generated by all casino gaming activities combined, calculated before deduction of commissions and other expenses, if any
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"IGT"	a Nevada corporation and a subsidiary of International Game Technology PLC, which is listed on the New York Stock Exchange under the trading symbol "IGT"
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"LMG"	live multi game
"LT Game"	LT Game Limited, a company established in the British Virgin Islands with limited liability, an indirect 82%-owned subsidiary of the Company
"Macau"	the Macao Special Administrative Region of the PRC
"Model Code"	the Model Code for Securities Transaction by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
"MOP"	Macau Pataca, the lawful currency of Macau

"PRC"	the People's Republic of China
"Properties"	Units 2A, 2B, 2D, 2F, 7C, 7H of Centro Polytex at 45 Estrada Marginal Da Areia Preta, Macau
"Provisional S&P Agreement"	the provisional sale and purchase agreement dated 15 June 2018 entered into between the Purchaser and the Vendor in respect of the acquisition of the Properties
"Purchaser"	Century Force Limited, a company incorporated in Macau and an indirect wholly-owned subsidiary of the Company
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
"Share(s)"	ordinary share(s) of HK$0.001 each in the share capital of the Company
"Share Option Scheme"	the share option scheme of the Company adopted by the Company at the annual general meeting held on 25 May 2017
"Shareholder(s)"	holder(s) of the Shares
"SJM"	Sociedade de Jogos de Macau, S.A., one of the three concessionaires for operation of casinos in Macau
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Technical Standards"	DETG Technical Standards Version 1.0 published by DICJ
"U.S."	the United States of America
"US$"	the United States dollars, the lawful currency of the U.S.
"Vendor"	a company incorporated in Macau that holds the legal title to the Properties as at the date of the Provisional S&P Agreement, and an independent third party of the Company
"%"	per cent