PARADISE ENTERTAINMENT LIMITED
滙彩控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code : 1180)

ANNUAL REPORT
2019

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

BERMUDA PRINCIPAL SHARE REGISTRAR

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

HONG KONG BRANCH SHARE REGISTRAR

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

HONG KONG LEGAL ADVISORS

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

INDEPENDENT AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants

PRINCIPAL BANKERS

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

LISTING INFORMATION

Place of Listing

Main Board of the Stock Exchange

Stock Code

1180

Board Lot Size

4,000 Shares

INVESTOR RELATIONS

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WEBSITE

www.hk1180.com

KEY DATES

Annual results announcement:	26 March 2020
Book close dates for 2020 AGM:	18 to 21 May 2020 (both days inclusive)
2020 AGM:	21 May 2020

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

The Group has been active in the Macau gaming market as a casino management service provider and a gaming equipment and systems supplier since 2007. During the year ended 31 December 2019, the Group was the sole casino management service provider to two stand-alone satellite casinos, namely Casino Kam Pek Paradise and Casino Waldo in Macau. The Group is also a major gaming equipment and systems supplier in Macau and overseas.

In 2007, the Group entered into a service contract with SJM for provision of casino management services. Since then, the Group has positioned itself as a casino management service provider focusing on mass market patrons for satellite casinos in Macau. In 2014, the Group entered into another service contract for provision of casino management services in Casino Waldo, a satellite casino of Galaxy in Macau. The service contract for our provision of casino management services in Casino Waldo expired on 29 February 2020 and the Group did not request for renewal or extension of the service contract. 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.

The Group is one of the worldwide leading gaming equipment and systems suppliers. The Group specialises in developing table game automation and innovative technologies that improve game efficiency and optimise operations. The Group's first flagship product is the patented LMG system which has seen tremendous demand from Macau and overseas casino operators. The Group is the investor, patent owner and sole provider of LMG terminals and dominates the ETG market in Macau.

On 25 April 2016, the Group entered into a strategic agreement with IGT, pursuant to which the Group assigned and licensed certain patents and associated technology to IGT in return for a non-refundable upfront payment and a 15-year earn-out payment for every related gaming machine deployed in the global market (other than Macau) by IGT under the agreement.

In addition to the LMG system, the Group has been investing in developing other high-tech electronic gaming machines, equipment and systems and slot machines which are now in the pipeline of being launched to the gaming markets in Macau and overseas. The Group is committed to create innovative products that simplify game process, minimise labour costs, optimise game productivity and enhance player experience.

In recent years, the Group has also been investing increasingly in high-tech equipment and products relating to 5G and AI such as smart wear, smart home and 5G wireless terminal high-tech products. The Group believes that these high-tech products will also be more closely integrated with entertainment business for the continuous enhancement of players' experience.

The Group embraces synergies of its two principal business segments, namely provision of casino management services and development, sale and leasing of electronic gaming equipment and systems which provide the Group a unique and privileged position in the market.

Jay Chun
Chairman and Managing Director

It is my pleasure to write to update you on the performance of the Group in 2019, a year with opportunities and challenges for the Group.

As what we observed in the past years, the Macau gaming market in 2019 continued to follow the changing profile from VIP business to mass markets. According to the figures announced by DICJ, Macau's mass gaming segment has steadily increased in 2019 accounting for 53.8% of Macau's total GGR as compared to 45.2% in 2018. The paradigm shift from VIP to mass paves the way for the Group to continue developing and positioning our business as one of the world's leading suppliers of electronic gaming equipment and systems, whilst the costs of running traditional table games in casinos in Macau and worldwide including the labour costs are soaring. ETG machines provide good solutions in the long run, and the abundance of LMG machines in casinos offers a much more affordable opportunity for the mass market patrons who might not otherwise have been able to experience in casinos' traditional gaming tables. While serving as a pipeline to obtain prompt feedbacks for the deployment of our innovative gaming products from gaming patrons and casino operators and tune up the business strategies accordingly where necessary, our casino management service segment continues to be synergistic with our gaming equipment and systems segment.

Regarding the business performance of our flagship product, the LMG machines, replacement and upgrade demand for LMG machines and related accessories in 2019 was high following the promulgation of the Technical Standards by DICJ. LMG complementary products such as the X-Stadium Live were also boosted. As a casino having installed the highest number of LMG machines in a single property, Casino Kam Pek Paradise has completed upgrading of all its LMG machines in 2019 and continues to demonstrate our firm belief that investment in gaming technology could help optimisation of table yields. Although total LMG's GGR in Macau has increased mildly as a portion of the total GGR in Macau in 2019, the Group is optimistic that with the headwind of shifting more to mass segment, there shall be ample room for expansion of our LMG business in the long run. We expect that LMG will continue to receive demands with applauses from the markets in Macau and overseas.

In addition to the increased demand of LMG and related products, during the year under review, we successfully launched our new self-developed slot machines in Macau as well as the Americas. This marked our important milestone as it signified that the Group has started to diversify its business to the global slot machine markets. In the years ahead, we will continue to deploy more slot machines to the gaming markets of Macau, the Americas, and Southeast Asia including the Philippines, Vietnam and Cambodia, etc. I have confidence that more of our pipeline products will turn out to be the next big hits in the gaming industry globally, similar to the track record we achieved for our flagship product, the LMG machines. Leveraging on our past success in the LMG business models, we will continue to place investments on research and development to offer a wide range of casino games and systems on LMG, ETG, slot machines and other gaming equipment and systems.

In recent years, the Group has also been investing increasingly on research and development of 5G, AI and other related high-tech products. In November 2019, the Group participated in the second China International Import Expo held in Shanghai for the first time, where we exhibited our latest debut research accomplishments such as smart wear, smart home and 5G wireless terminal high-tech products adhering to the trend of high-tech development including 5G and AI. These high-tech products enhance human's quality of life significantly in areas in education, sports and living etc. and are highly acclaimed by sports lovers and parents. These high-tech products will generate fresh revenue streams for the Group in the years ahead.

2019 marks an important year for the 20th anniversary of the return of Macau to China. I am happy and proud to witness and walk hand-in-hand with Macau on its ups and downs during the past twenty years leading to the present prosperity which was certainly not an easy task. As a home-grown Macanese brand, the Group is always ready to render necessary supports to the Macau government without hesitation, particularly in time of adversaries due to the impacts as a result of the recent epidemic. Macau has proved and will continue to show herself the significant contributions as a core hub of the Guangdong-Hong Kong-Macao Greater Bay Area. I firmly believe that high-tech research and development will bring innovation and momentum to Macau gaming industry and build a more glorious Macau world top class centre of tourism and leisure in the new 20 years to come. The Group will continue to forge ahead in areas of cutting-edge technologies and always uphold the spirit of innovation, attract top talents, increase investment in research and development and contribute our value and vitality to the development of our Country in particular the Guangdong-Hong Kong-Macao Greater Bay Area.

Finally, on behalf of the Board, I would like to extend my sincere gratitude towards our Shareholders, banks, customers and business partners for their continuous support of the Group. Furthermore, I would also like to thank our executives and staff for their dedication so that the Group's business continues to thrive and boom. In particular as a result of the coronavirus outbreak, I would like to offer my heartfelt thanks and appreciation to all of the respective governmental departments and officials, medical personnel in the Mainland, Macau, Hong Kong and elsewhere affected by this epidemic, who have worked tirelessly to curb against the spread of the virus and assist the communities in this ever-challenging time. I would also like to thank our team members for their assistance during this difficult period.

Jay Chun
Chairman and Managing Director

Hong Kong, 26 March 2020

BUSINESS AND FINANCIAL REVIEW

Overview of Results

Total reported revenue of the Group for the year ended 31 December 2019 was HK$1,181.8 million, representing an increase of 1.5% over that of HK$1,164.2 million for the year ended 31 December 2018. The increase was mainly attributable to an increase in revenue from sale of electronic gaming equipment and systems. An analysis of the reported revenue by properties/nature is as follows:

	2019 **HK$ million**	2018 HK$ million
Casinos under the Group's management:		
Casino Kam Pek Paradise	**692.7**	780.2
Casino Waldo	**311.5**	286.7
	1,004.2	1,066.9
Electronic gaming equipment and systems:		
Sale of electronic gaming equipment and systems	**169.9**	88.7
Leasing of electronic gaming equipment and systems*	**5.2**	5.9
Royalty income from IGT	**2.5**	2.7
	177.6	97.3
Total reported revenue	**1,181.8**	1,164.2

* Leasing revenue for the year ended 31 December 2019 did not include the intercompany revenue derived from the LMG terminals deployed at the two casinos under the Group's management amounting to HK$149.0 million (2018: HK$154.8 million) which was included in the reported revenue of respective casinos under the Group's management in the above table.

Adjusted EBITDA for the year ended 31 December 2019 was HK$87.0 million, representing a decrease of 27.9% over that of HK$120.7 million for the year ended 31 December 2018. The following table reconciles profit for the year to Adjusted EBITDA:

	2019 **HK$ million**	2018 HK$ million
Profit for the year	**10.6**	53.2
Adjustments for:		
Interest income	**(5.1)**	(4.4)
Finance costs	**3.4**	0.7
Taxation (credit) charge	**(4.5)**	0.4
Depreciation of property, plant and equipment	**59.4**	58.1
Loss on disposal of property, plant and equipment	**—**	0.6
Depreciation of right-of-use assets	**11.1**	—
Amortisation of intangible assets	**12.1**	12.1
Adjusted EBITDA	**87.0**	120.7

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

	2019 **HK$ million**	2018 HK$ million
Casinos under the Group's management:		
Casino Kam Pek Paradise	**141.5**	221.8
Casino Waldo	**(27.5)**	(24.2)
	114.0	197.6
Electronic gaming equipment and systems:		
Sale of electronic gaming equipment and systems	**88.1**	10.5
Leasing of electronic gaming equipment and systems	**3.3**	2.8
Research and development and other costs	**(88.5)**	(66.6)
ETG distribution from IGT	**2.5**	2.6
	5.4	(50.7)
Others	**(32.4)**	(26.2)
Adjusted EBITDA	**87.0**	120.7

Adjusted EBITDA from casinos under the Group's management for the year ended 31 December 2019 was HK$114.0 million, representing a decrease of 42.3% over that of HK$197.6 million for the year ended 31 December 2018. The decrease was mainly due to the decrease in GGR generated by Casino Kam Pek Paradise for the year ended 31 December 2019 which in turn was mainly affected by the temporary suspension of LMG terminals at the casino for upgrade of the LMG terminals pursuant to the Technical Standards during the year ended 31 December 2019, and the accrual for the Group's reimbursement to SJM of employees' bonus under the relevant bonus scheme of SJM for those gaming operation employees employed by SJM who work for the casino under the Group's management amounting to HK$23.2 million. As at 31 December 2019, the Group had completed the upgrade of all the LMG terminals at the two casinos under the Group's management for full compliance with the Technical Standards and installation of enhanced features to the LMG terminals.

Adjusted EBITDA from the electronic gaming equipment and systems segment for the year ended 31 December 2019 was HK$5.4 million, as compared to the loss of HK$50.7 million for the year ended 31 December 2018. For the year ended 31 December 2019, sale of electronic gaming equipment and systems contributed Adjusted EBITDA of HK$88.1 million (2018: HK$10.5 million) to the Group. On the other hand, the Group increased its investment in research and development and other costs on ETG machines, slot machines, casino management systems, etc. from HK$66.6 million for the year ended 31 December 2018 to HK$88.5 million for the year ended 31 December 2019 mainly for the development of our game assets/library which are important for us to improve and maintain our competitive advantages in the long run. For the year ended 31 December 2019, ETG distribution from IGT contributed Adjusted EBITDA of HK$2.5 million (2018: HK$2.6 million) to the Group.

The Group's recorded a profit of HK$10.6 million for the year ended 31 December 2019 representing a decrease of 80.1% over that of HK$53.2 million for the year ended 31 December 2018.

Provision of Casino Management Services

The following table sets forth operational data on the provision of casino management services by the Group for the years ended 31 December 2019 and 31 December 2018:

	2019			2018		
(Average no. of units)	**Casino Kam Pek Paradise**	**Casino Waldo**	**Total**	Casino Kam Pek Paradise	Casino Waldo	Total
Traditional gaming tables	**39**	**25**	**64**	39	25	64
LMG gaming tables	**10**	**5**	**15**	10	5	15
LMG terminals	**996**	**432**	**1,428**	1,000	423	1,423
Slot machines	**189**	**167**	**356**	194	176	370

As at 31 December 2019, the Group had a total of 79 (31 December 2018: 79) gaming tables under management.

The following table sets out certain key operational data of gaming tables, LMG terminals and slot machines deployed at the two casinos under the Group's management for the years ended 31 December 2019 and 31 December 2018:

		Casino Kam Pek Paradise		**Casino Waldo**	
		2019	2018	**2019**	2018
Traditional gaming tables					
GGR	*(HK$ million)*	**684.9**	792.5	**396.2**	365.6
Gaming tables	*(Average no. of tables)*	**39**	39	**25**	25
Net win/table/day	*(HK$ thousand)*	**48.1**	55.7	**43.4**	40.1
LMG gaming tables					
GGR	*(HK$ million)*	**534.7**	573.1	**142.6**	130.3
Terminals/gaming tables	*(Average no. of terminals/tables)*	**996/10**	1,000/10	**432/5**	423/5
Net win/terminal/day	*(HK$)*	**1,471**	1,570	**904**	844
Net win/table/day	*(HK$ thousand)*	**146.5**	157.0	**78.1**	71.4
Total gaming tables					
GGR	*(HK$ million)*	**1,219.6**	1,365.6	**538.8**	495.9
Gaming tables	*(Average no. of tables)*	**49**	49	**30**	30
Net win/table/day	*(HK$ thousand)*	**68.2**	76.4	**49.2**	45.3
Slot machines					
GGR	*(HK$ million)*	**50.6**	65.7	**8.3**	8.1
Slot machines	*(Average no. of units)*	**189**	194	**167**	176
Net win/unit/day	*(HK$)*	**733**	928	**136**	126
Total GGR	*(HK$ million)*	**1,270.2**	1,431.3	**547.1**	504.0

For the year ended 31 December 2019, total GGR generated by Casino Kam Pek Paradise amounted to HK$1,270.2 million, representing a decrease of 11.3% over that of HK$1,431.3 million for the year ended 31 December 2018. Total GGR generated by Casino Waldo for the year ended 31 December 2019 amounted to HK$547.1 million, representing an increase of 8.6% over that of HK$504.0 million for the year ended 31 December 2018.

Breakdown of the revenue attributable to the Group for the two casinos under the Group's management for the years ended 31 December 2019 and 31 December 2018 is as follows:

	2019 **HK$ million**	2018 HK$ million
Casino Kam Pek Paradise:		
Traditional gaming tables	**376.7**	435.9
LMG gaming tables	**294.1**	315.2
Slot machines	**21.9**	29.1
	692.7	780.2
Casino Waldo:		
Traditional gaming tables	**225.6**	208.0
LMG gaming tables	**81.2**	74.1
Slot machines	**4.7**	4.6
	311.5	286.7
	1,004.2	1,066.9

Total revenue attributable to the Group generated by the casinos under the Group's management for the year ended 31 December 2019 was HK$1,004.2 million, representing a decrease of 5.9% over that of HK$1,066.9 million for the year ended 31 December 2018. The net decrease in total revenue was due to the decrease of 11.2% in revenue from Casino Kam Pek Paradise which was partially offset by the increase of 8.7% in revenue from Casino Waldo for the year ended 31 December 2019 when compared to those for the year ended 31 December 2018.

Development, Sale and Leasing of Electronic Gaming Equipment and Systems

Sale of Electronic Gaming Equipment and Systems

For the year ended 31 December 2019, revenue from sale of electronic gaming equipment and systems amounted to HK$169.9 million, representing an increase of 91.5% over that of HK$88.7 million for the year ended 31 December 2018. The sale for the year ended 31 December 2019 represented mainly the sale of a total of 799 LMG terminals to and the provision of upgrading services to 1,051 LMG terminals at various casinos in Macau pursuant to the Technical Standards (2018: sale of 383 LMG terminals and other equipment to MGM Cotai, The Venetian Macao and City of Dreams).

Leasing of Electronic Gaming Equipment and Systems

For the year ended 31 December 2019, revenue from leasing of electronic gaming equipment and systems amounted to HK$5.2 million, representing a decrease of 11.9% over that of HK$5.9 million for the year ended 31 December 2018.

The following table sets out certain key operational data of LMG terminals (excluding those LMG terminals deployed at the two casinos under the Group's management) and the related revenue shared by the Group for the years ended 31 December 2019 and 31 December 2018:

		2019	2018
GGR from LMG terminals	*(HK$ million)*	**14.2**	21.2
No. of LMG terminals	*(Average no. of terminals)*	**53**	207
Net win/terminal/day	*(HK$)*	**734**	281
Revenue shared by the Group	*(HK$ million)*	**3.9**	5.3

ETG Distribution from IGT

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

With reference to the royalty statements provided by IGT to the Group, the Group recognised royalty income of HK$2.5 million for the year ended 31 December 2019 (2018: HK$2.7 million). Up to 31 December 2019, the Group has accumulatively recognised a total revenue of HK$8.1 million from ETG distribution from IGT.

PROSPECTS

Overall, Macau experienced another solid year in 2019. Although Macau's total GGR dropped by 3.4% year-on-year to HK$292.5 billion, total visitations to Macau were 39.4 million, up 10.1% year-on-year (including the growth of same-day visitors by 20.0% year-on-year which was far outpacing the growth of overnight visitors). More importantly, Macau's mass gaming segment has steadily increased and has accounted for 53.8% of Macau's total GGR in 2019. Having more inbound tourists to Macau means that there are more mass gaming patrons, which should benefit the mass gaming segment on which the Group is focusing. The opening of the Hong Kong-Macao-Zhuhai bridge has further lowered the transportation costs of the visitors while giving more convenience bringing more visitors to Macau, which certainly is favourable for the mass gaming market.

Due to the increase of labour and other operating costs, the costs of running traditional table games for casino operators in Macau and in other gaming jurisdictions are always on the upside trend. ETG machines and slot machines should be the most important keys for maintaining steady gaming revenue while keeping the operating costs low. The Group holds the belief that the development of table game automation and innovative technologies can continue to improve game efficiency and optimise operations, and the Group is dedicated to innovate in the gaming equipment industry using top-notch and innovative technology to create good gaming products that are primarily catered for mass market. The Group shall continue to focus on optimising table productivity in the casino under our management by applying cutting-edge gaming technology that has enabled our GGR per table per day in the mass segment to rival the tables in other casinos in Macau. The Group will follow our unique business model to embrace more synergies of our two business segments and complement to the development of our high-tech products.

In 2019, the Group was proud to report that its first ever-self developed slot machines were approved by DICJ. This marked our milestone to diversify our business to slot machine segment ever since we developed the flagship product, the LMG machines, in Macau. We have also started to debut our self-developed slot machines to Americas and South East Asian markets in various casinos or gaming establishments to emerge as one of the future leaders in gaming equipment.

In recent years, the Group has also increased its investment on research and development for the attainments of innovation and breakthrough in design and applications of 5G, AI and other high-tech products such as smart wear, smart home and wireless terminal products with a view to providing customers' needs with professional solutions on high-tech products in areas of education, sports and living, etc. Global market of smart wear and smart home has been growing and is anticipated to keep flourishing at a robust pace. These high-tech products will generate fresh revenue streams for the Group in the years ahead and we believe that high-tech and gaming industry will merge more closely in future.

Considering the recent requirements to invest further for additional monitoring system and equipment to Casino Waldo to comply with new regulatory requirements which we considered that might be not recovered before end of the existing gaming concession, the relative high operating costs of the casino, and also the adverse impact from the recent outbreak of a respiratory illness, following the expiration of the related service contract on 29 February 2020, the Group did not request for renewal or extension of the service contract and decided to cease providing casino management services in Casino Waldo since 1 March 2020. The Group shall then concentrate its focus on the operations of Casino Kam Pak Paradise so as to maximise the return from the provision of casino management services in this casino to the Group.

In response to the recent outbreak of a respiratory illness caused by a novel coronavirus affecting public health, the Macau government has taken various protective measures, including the requirement to all casinos in Macau to suspend operations for at least 15 days from 5 February 2020, to curb the spread of the coronavirus disease in Macau. Additionally, new border control related policies and measures were implemented in Macau including the Mainland government's decision on the temporary suspension of the Individual Visit Scheme to Hong Kong and Macau, the suspension or reduction of major ferry services between Macau and Hong Kong, more stringent quarantine measures including prohibiting all non-Macau residents from entering into Macau subject to certain exceptions. The Group considers such coronavirus disease will inevitably have adverse effect on the Group's operation, particularly the casinos under the Group's management. The Group is very cautious about this global health emergency and is committed to take all possible protective measures to the well-being and safety of our patron customers as well as our staff, and at the same time, improve businesses and reduce operating costs of the Group during the tough period of time.

Looking ahead, the Group will never rest on its laurels but will continue to acquire top talents and increase its investment in high-tech and avant-garde gaming products, aiming to explore more opportunities in the gaming technology space and expand its market share in global gaming industry. Nevertheless, we are cautious due to a range of geo-political and economic challenges and the virus epidemic which may impact consumer confidence in 2020. We remain confident in the long-term outlook for Macau in general and believe that the Greater Bay Area integration plan will further facilitate the flow of people, logistics and capital within the area. We will continue to support and leverage on the Greater Bay Area integration plan. The Group remains cautiously optimistic and will strive to identify new business opportunities in Macau and overseas markets and 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 repayment of bank borrowings. The Group has generally funded its operations from internal resources, bank and other borrowings and/or equity financing.

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

As at 31 December 2019, the consolidated net assets of the Group amounted to HK$608.5 million, representing a decrease of HK$20.2 million or 3.2% from HK$628.7 million as at 31 December 2018. During the year ended 31 December 2019, the consolidated net assets of the Group was increased by the Group's profit for the year of HK$10.6 million and was decreased by the payment of the Company's final dividend for the year ended 31 December 2018 of HK$26.3 million and the payment of interim dividend by a non wholly-owned subsidiary of the Company to non-controlling interests for the six months ended 30 June 2019 of HK$3.6 million.

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

As at 31 December 2019, the Group held pledged bank deposit of HK$28.8 million, bank balances and cash of HK$245.6 million and chips on hand of HK$33.2 million. Included in the pledged bank deposit and bank balances and cash as at 31 December 2019 were fixed deposits of HK$100.7 million placed at banks in Macau with original maturities ranging from 1 to 12 months. The fixed deposits were denominated in HK$ (the Group's functional currency) and US$. Given HK$ are linked to US$, the Group considers the exposure to exchange rate risk is normal for its fixed deposits denominated in US$.

Borrowing and Gearing Ratio

As at 31 December 2019, the Group had outstanding (i) secured and unguaranteed bank borrowings of approximately HK$145.8 million (2018: HK$89.0 million); and (ii) unsecured and unguaranteed amounts due to Directors of HK$2.1 million (2018: HK$2.2 million).

The Group's bank borrowings carried interest at prevailing market rates and were on floating rate basis. The bank borrowings were denominated in MOP and HK$. Given MOP is pegged to HK$, the Group considers the exposure to exchange rate risk is normal for its bank borrowing denominated in MOP. The maturity profile of the bank borrowings of HK$145.8 million as at 31 December 2019 spread over a period of more than five years, with HK$8.8 million repayable within one year, HK$9.0 million in the second year, HK$28.3 million in the third to fifth years and HK$99.7 million over five years. The amounts due to Directors were interest-free and repayable on demand.

The Group's gearing ratio (expressed as a percentage of total borrowings over net assets) as at 31 December 2019 was 24.3% (2018: 14.5%). The increase in the Group's gearing ratio was mainly due to the inception of bank mortgage borrowing to finance the acquisition of properties during the year ended 31 December 2019.

During the year ended 31 December 2019, the Group did not employ any financial instruments for hedging purposes.

CAPITAL COMMITMENTS

Particulars of the Company's significant capital commitments as at 31 December 2019 are set out in note 33 to the consolidated financial statements.

FOREIGN EXCHANGE EXPOSURE

The majority of the Group's income and expenses, bank fixed deposits and bank borrowings 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 Group does not consider that any specific hedge for currency fluctuation is necessary.

CHARGES ON GROUP ASSETS

As at 31 December 2019, leasehold land and buildings of the Group with the carrying amount of HK$222.2 million were pledged to secure bank borrowings offered by banks to the Group.

In addition, as at 31 December 2019, 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' compensation 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 31 December 2019, the Group did not have any contingent liabilities.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2019, the Group had approximately 1,210 employees, including approximately 730 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. Total staff costs, including Directors' emoluments, for the year ended 31 December 2019 amounted to HK$452.6 million (2018: HK$412.7 million), including a total of HK$265.9 million (2018: HK$241.1 million) paid or payable for gaming operation employees employed by SJM or Galaxy.

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, share awards, retirement benefits, subsidised medical care, pension funds and training programmes are offered to eligible employees.

EXECUTIVE DIRECTORS

Mr. Jay Chun, aged 55, is the Chairman and Managing Director of the Company, also alternate Director to Mr. Shan Shiyong, alias, Sin Sai Yung. He is the chairman of the Nomination Committee and a member of the Remuneration Committee. He is also a director of various subsidiaries of the Company. Mr. Chun is a talented entrepreneur and manager. He possesses solid background in information technology and marketing, and has nearly 30 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 one of the founder members of Macau Gaming Equipment Manufacturers Association ("MGEMA") and has been the chairman of MGEMA since its establishment in 2012. MGEMA is a non-profit making association established to promote Macau gaming equipment industry and the common interests of the gaming equipment manufacturers by providing a platform for the exchange of technology and trade promotion, an aspect which is of great importance to the gaming industry.

In recognition of his exemplary contributions to the community, Mr. Chun has been a member of the Shandong Provincial Committee of the Chinese People's Political Consultative Conference of the PRC since January 2018 and a member of the Economic Development Council of the Macau government since November 2017. In addition, Mr. Chun has been actively participating in community services. Mr. Chun is presently the chairman of Ze Ai Association, a prominent non-profit making charitable organisation working to improve the education and well-being of people in Macau so as to make Macau a better society for all people and the next generation. In recognition of his outstanding achievement in Macau's entertainment and leisure industry, in October 2019, Mr. Chun was honoured with the award of "20 Persons in 20 Years: the Most Valuable Persons of Macao's Tourism and Leisure Industry from 1999 to 2019".

The discloseable interests of Mr. Chun in the Shares and underlying Shares under the provisions of Part XV of the SFO are 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 56, is an executive Director. He is also a director of various subsidiaries of the Company. 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 exporting. Mr. Shan subsequently diversified his business interests to trading, property development and venture capital investment in the PRC. He has over 30 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 55, was appointed as an executive Director on 30 November 2010. Mr. Hu is currently the managing director of Standind (Shanghai) Co. Ltd. and has nearly 30 years of experience in corporate management, business development as well as sales and marketing. Mr. Hu obtained his bachelor's degree in engineering from the Shanghai University of Science and Technology.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Li John Zongyang, aged 64, 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 a rich and versatile background in the finance, business and corporate environment in the Asia-Pacific region. Mr. Li had worked for 10 years with Framlington Investment Management Company Limited, a leading investment management company in London, where he served as a senior fund manager and the head of the Asia Pacific region. Mr. Li had served as the chief executive officer for several reputable companies in Asia. Mr. Li holds a bachelor's degree in economics from the Peking University and a master's degree in business administration from the Middlesex University Business School in London.

Mr. Kai-Shing Tao, aged 43, was appointed as an independent non-executive Director on 13 April 2014. He is a member of the Audit Committee. Mr. Tao graduated from the Stern School of Business at the New York University. He has served as a member of the board of directors of Remark Holdings, Inc. (formerly known as Remark Media, Inc.) since Remark Holdings, Inc.'s public listing in 2007 (Nasdaq: MARK). After being elected as chairman and co-chief executive officer in October 2012, Mr. Tao assumed the position of chief executive officer of Remark Holdings, 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 and a director of Genesis Today, Inc., a leading health and wellness company. Prior to founding Pacific Star Capital Management, L.P., Mr. Tao was a partner at FALA Capital Group, a single-family investment office.

Ms. Tang Kiu Sam Alice, aged 38, 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 15 years of business development experience in the gaming industry and has comprehensive knowledge in gaming operations and products, strategic planning, sales and marketing and is experienced in product development with successful launches of a series of gaming products including video slot machines, electronic table games and slot management system. Ms. Tang is currently the managing director of Winning Asia Technology Macau Limited.

SENIOR MANAGEMENT

Ms. Feng Yi, Jenny, aged 55, is the Group's Casino General Manager. Ms. Feng holds a bachelor's degree in computer science from the 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 42, 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 11 years of experience in the gaming industry. Ms. Zhao joined the Group in 2007.

Mr. Chan Kin Man, aged 44, 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 over 22 years of experience in accounting, auditing, financial advisory, corporate finance and corporate governance, particularly in gaming and hospitality sectors. He is a fellow of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. Mr. Chan joined the Group in February 2017.

Mr. Daryn Kiely, aged 54, is the Group's Chief Technology Officer. Mr. Kiely holds a bachelor's degree of science in computer science from the University of Calgary. He has extensive experience in software development and product development. Before joining the Group, Mr. Kiely had worked for 18 years with IGT, a leading gaming equipment and system supplier, where he last served as a department head of software development and product development. Mr. Kiely joined the Group in February 2016.

Mr. Kelcey Allison, aged 47, is the Senior Vice President, Operations and Business Development of a subsidiary of the Company in U.S.. He has over 20 years of experience in businesses relating to slot machine and gaming device product sales and development, and content strategy for the global gaming markets. Before joining the Group, Mr. Allison had held several senior executive roles in various renowned gaming corporations including serving as the chief executive officer of Aruze Gaming America, Inc. and the senior vice president of sales, marketing and service of Ainsworth Game Technology Limited. Mr. Allison joined the Group in January 2020.

Directors' Report

The Board presents this annual report and the audited consolidated financial statements of the Company for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The Company is an investment holding company of a diverse group of companies that are principally engaged in the provision of casino management services, and the development, sale and leasing of electronic gaming equipment and systems. Principal activities of each of its principal subsidiaries are set out in note 42 to the consolidated financial statements.

BUSINESS REVIEW

A review of the business of the Group for the year ended 31 December 2019 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, events affecting the Group that have occurred after the end of the financial year, 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.

RESULTS AND FINANCIAL POSITION

The results of the Group for the year ended 31 December 2019 are set out in the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income on pages 67 and 68, respectively.

The financial position of the Group as at 31 December 2019 is set out in the consolidated statement of financial position on pages 69 and 70.

SEGMENT INFORMATION

Segment information of the Group is set out in note 6 to the consolidated financial statements.

DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2019.

For the year ended 31 December 2018, the Board recommended the payment of a final dividend of HK2.5 cents per Share (totaling HK$26,305,000) which was approved by the Shareholders at the annual general meeting of the Company held on 21 May 2019 and was paid to Shareholders in June 2019.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year ended 31 December 2019 are set out in note 14 to the consolidated financial statements.

SHARE CAPITAL

There were no changes in the Company's share capital during the year ended 31 December 2019. Details of the Company's share capital are set out in note 29 to the consolidated financial statements.

RESERVES

Movements in the reserves of the Group and the Company during the year ended 31 December 2019 are set out in the consolidated statement of changes in equity on page 71 and in note 40 to the consolidated financial statements, respectively.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2019, the Company's reserves available for distribution to Shareholders amounted to approximately HK$539,894,000 comprising contributed surplus of approximately HK$1,042,083,000, which is offset by the debit balance of accumulated losses of approximately HK$502,189,000.

Under the Companies Act 1981 of Bermuda, subject to the provisions of the Bye-laws of the Company, the Company's contributed surplus may be applied to pay distributions or dividends to Shareholders, provided that immediately following the date the distribution or dividend is proposed to be paid, the Company is able to pay its liabilities as they become due.

DIRECTORS AND SERVICE CONTRACTS

The members of the Board during the year ended 31 December 2019 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 2020 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 was entered into or existed during the year ended 31 December 2019.

PERMITTED INDEMNITY PROVISION

During the year ended 31 December 2019 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 (i) the Directors and the directors of any subsidiaries; and (ii) the directors appointed by the Company in the board of any associates or joint ventures of the Company.

TAX RELIEF

The Company is not aware of any relief on taxation available to the Shareholders by reason of their holdings of the Shares. If the Shareholders are unsure about the taxation implications of purchasing, holding, disposing of, dealing in, or exercising of any rights in relation to the Shares, they are advised to consult their professional advisers.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 31 December 2019, 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 (within the meaning of Part XV of the SFO), as recorded in the register maintained by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Name of Directors	Name of company/ associated corporation	Capacity/ nature of interests	Number of Shares[(1)]	Approximate aggregate percentage of interests[(4)]
Mr. Jay Chun	The Company	Beneficial owner	124,160	0.01%
	The Company	Interest of controlled corporation	630,836,720[(2)]	59.95%
			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 31 December 2019.

Save as disclosed, none of the Directors and the chief executive of the Company was interested or had any short position in any Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as at 31 December 2019.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 31 December 2019, 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[4]
August Profit Investments Limited[2]	630,836,720	59.95%
FIL Limited[3]	77,504,000	7.37%
Pandanus Partners L.P.[3]	77,504,000	7.37%
Pandanus Associates Inc.[3]	77,504,000	7.37%

Notes:

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

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

(3) To the best of the Directors' knowledge, FIL Limited is controlled (as defined under the SFO) by Pandanus Partners L.P., which in turn is controlled (as defined under the SFO) by Pandanus Associates Inc. Those 77,504,000 Shares represent the same interests and are therefore duplicated among them.

(4) The percentage represents the number of Shares interested divided by the number of issued Shares as at 31 December 2019.

Save as disclosed above, as at 31 December 2019, 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.

SHARE OPTION SCHEME

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 10 years from the date of adoption of the Share Option Scheme.

The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme must not exceed 30% of the total number of Shares in issue from time to time. The maximum number of Shares issued and to be issued upon exercise of the options granted and to be granted to each eligible participant in any 12-month period must not exceed 1% of the Company's issued share capital from time to time. Any grant or further grant of share options in excess of this limit is subject to Shareholders' approval in a general meeting of the Company.

Each grant of share options to a Director, chief executive or substantial Shareholder of the Company, or to any of their associates, is subject to approval in advance by the independent non-executive Directors. In addition, any grant of share options to a substantial Shareholder or an independent non-executive Director, or to any of their associates, resulting in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in a 12-month period up to and including the date of such grant in excess of 0.1% of the Shares in issue and with an aggregate value (based on the closing price of the Shares at the date of the grant) in excess of HK$5 million, is subject to Shareholders' approval in advance in a general meeting of the Company.

The period during which an option may be exercised is determined by the Board in its absolute discretion, save that such period shall not be longer than 10 years from the date of grant. The minimum period for which an option must be held before it can be exercised is determined by the Board upon the grant of an option.

An option shall be deemed to have been granted and accepted by the grantee and to have taken effect when the duplicate offer document constituting acceptance of the option duly signed by the grantee, together with a remittance in favour of the Company of HK$1.00 as consideration for the grant of the option, is received by the Company within 21 days after the date of offer.

The exercise price of share options is determined by the Directors, but shall not be less than the highest of (i) the nominal value of the Shares; (ii) the closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange on the date of offer of the share options; and (iii) the average closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange for the five business days immediately preceding the date of offer.

No options were granted, exercised, cancelled or lapsed by the Company under the Share Option Scheme and no equity-settled employees' benefit (including Directors' emoluments) was recognised during the year ended 31 December 2019. There was no share option outstanding under the Share Option Scheme during the year ended 31 December 2019.

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

SHARE AWARD SCHEME

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

Under the Share Award Scheme, the Board shall not make any further award which will result in the aggregate number of Shares underlying all awards granted by the Board under the Share Award Scheme exceeding 10% of the total number of issued Shares as at the date of adoption of the Share Award Scheme. Except as otherwise approved by the Board, the maximum aggregate number of Shares underlying the awards that may be granted to any grantee under the Share Award Scheme shall not exceed 1% of the total number of issued Shares as at the date of adoption of the Share Award Scheme. Any grant of an award to any Director, chief executive or substantial shareholder (as defined in the Listing Rules) of the Company, or any of their respective associates (as defined in the Listing Rules), shall be subject to the prior approval of the independent non-executive Directors (excluding any independent non-executive Director who is the proposed grantee of the award in question) and all grants to connected persons (as defined in the Listing Rules) shall be subject to compliance with the requirements of the Listing Rules.

The Share Award Scheme shall terminate on the earlier of: (i) the tenth anniversary date of the adoption date of the Share Award Scheme; and (ii) such date of early termination as determined by a resolution of the Board, provided that such termination shall not affect any subsisting rights of any grantee under the Share Award Scheme. In the event of termination, no further awards may be offered or granted but the terms of the Share Award Scheme shall remain in full force and effect in respect of awards which are granted during the term of the Share Award Scheme and which remain unvested immediately prior to the termination of the Share Award Scheme.

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

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

Since the date of adoption of the Share Award Scheme and up to 31 December 2019, no Shares were purchased by the Trustee, no awards were granted by the Company, and no awards vested under the Share Award Scheme.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from the Share Option Scheme and Share Award Scheme disclosed under the sections headed "Share Option Scheme" and "Share Award Scheme", respectively, 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 2019 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 2019.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2019.

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.

CONVERTIBLE SECURITIES, OPTIONS, WARRANTS, OR SIMILAR RIGHTS

As at 31 December 2019, no convertible securities, options, warrants or similar rights issued or granted by the Company or any of its subsidiaries remained outstanding.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2019, the aggregate amount of revenue attributable to the Group's five largest customers accounted for approximately 98.4% of the Group's total revenue and the revenue attributable to the Group's largest customer represented approximately 58.6% of the Group's total revenue.

For the year ended 31 December 2019, the aggregate amount of cost of sales and services attributable to the Group's five largest suppliers accounted for approximately 70.2% 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 29.9% of the Group's total cost of sales and services.

None of the Directors, their close 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.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group recognises the importance of compliance with legal and regulatory requirements. Internal compliance and risk management policies and procedures are in place to ensure the Group's adherence and compliance with all significant legal and regulatory requirements in the territories in which the Group has business operations. For details, please refer to the Corporate Governance Report of this annual report. For the year ended 31 December 2019 and up to the date of this annual report, to the best knowledge of the Directors, the Group has complied in all material respects with the applicable laws and regulations of the aforesaid jurisdictions, which have a significant impact on the business and operations of the Group. The Group has also obtained all licenses, approvals and permits from the relevant regulatory authorities that are material for its business operations in the territories in which the Group has business operations.

ACQUISITION, DISPOSAL AND SIGNIFICANT INVESTMENTS

Acquisition of Properties

The Group, as the purchaser, entered into provisional sale and purchase agreements and related sale and purchase agreements with an independent third party, as the vendor, on 4 June 2019 and 5 June 2019, respectively, pursuant to which the Group agreed to purchase and the vendor agreed to sell certain properties in Macau at a total consideration of HK$90,000,000. The sale and purchase transaction was completed on 8 August 2019.

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 announcements dated 4 June 2019 and 8 August 2019.

Updates to a Major Disposal

On 25 April 2016, the Group entered into a strategic agreement (the "Agreement") with IGT, pursuant to which the Group assigned and licensed certain patents and associated technology to IGT in return for a non-refundable upfront payment and a 15-year earn-out payment for every related ETG machine deployed in the global market (other than Macau). The transaction constituted a major transaction of the Company.

According to the statements provided by IGT to the Group, earn-out payments entitled by the Group as a result of such placement of the licensed products amounted to approximately US$1,038,000 (equivalent to approximately HK$8,096,000) up to 31 December 2019. Such earn-out payments were calculated in accordance with the terms of the Agreement, which state that such payments shall be calculated based on (i) the number of licensed products placed times a flat fee per unit for the licensed products placed by IGT through sale; and (ii) the number of licensed products placed times a flat fee per unit per day for the licensed products placed by IGT through leasing.

Subsequent to the signing of the Agreement, a dispute arose between the Group and IGT as to whether the Group has to provide certain technology (not being possessed by the Group) to IGT that may be required for IGT to make and place the licensed products under the Agreement (the "Dispute"). On 17 October 2017, upon commercial negotiation of the parties with the view to resolving the Dispute, the Group agreed in writing with IGT that they shall pay to IGT a sum of US$800,000 (equivalent to approximately HK$6,240,000) (the "Settlement Amount") for complete resolution of the Dispute, which was determined based on the sharing by the Group of the estimated costs for the required technology. The parties further agreed that the Settlement Amount shall first set-off against any earn-out payments owed by IGT to the Group under the Agreement. During the year ended 31 December 2019, the Settlement Amount was fully set-off by earn-out payments owed by IGT to the Group.

Further details of the transaction and the Dispute/Settlement Amount were disclosed in the Company's announcements dated 26 April 2016 and 14 December 2017, and the Company's circular dated 21 June 2016.

Save as disclosed herein, the Group did not have any significant investments, material acquisitions or disposals of assets, subsidiaries, associates or joint ventures during the year ended 31 December 2019.

CONNECTED TRANSACTIONS

Connected Transactions for Year Ended 31 December 2019

Supply Framework Agreement

On 14 December 2018, the Company entered into a supply framework agreement (the "Supply Framework Agreement") with Mr. Linyi Feng ("Mr. Feng") for the sale of certain electronic gaming machines and equipment, and their components, accessories and parts, etc. to Mr. Feng and the companies controlled by him for a term of one year commencing from 1 January 2019 to 31 December 2019.

Mr. Feng is the brother-in-law of Mr. Jay Chun, the controlling Shareholder, 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 therefore, the transactions contemplated under the Supply 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 Supply Framework Agreement, the transactions contemplated under the Supply 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 14 December 2018. The Supply Framework Agreement was expired or terminated on 31 December 2019.

The annual cap under the Supply Framework Agreement for the year ended 31 December 2019 was HK$40,000,000. The amount received/receivable by the Group from companies controlled by Mr. Feng under the Supply Framework Agreement for the year ended 31 December 2019 was HK$1,873,000.

The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules in respect of the above non-exempt continuing connected transactions.

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 2019 as disclosed 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) according to the agreement 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 (Revised) "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 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.

The Agency Agreement

LT Game has, in its ordinary and usual course of business, engaged an independent gaming supplier (the "Independent Supplier"), which is independent of the Company and its connected person(s) within the meaning of the Listing Rules, to (i) research and develop certain gaming equipment; and (ii) upon satisfactory development of such gaming equipment, produce in bulk for LT Game's onwards sales (collectively, the "Procurement Transaction"). The Procurement Transaction is expected to be completed in 2020, or on 31 December 2020, whichever is earlier and the maximum cash consideration for this transaction is RMB27,500,000 (equivalent to approximately HK$34,098,000), which is determined through mutual negotiation between LT Game and the Independent Supplier with reference to prevailing market prices of similar gaming equipment.

In order to facilitate the Procurement Transaction, on 12 February 2018, LT Game entered into an agency agreement (the "Agency Agreement") with Shanghai Libiao Industrial Co., Ltd.# (上海力標實業有限公司) ("Shanghai Libiao") to engage Shanghai Libiao as its agent for the purpose of the Procurement Transaction and mainly on behalf of LT Game and upon LT Game's specific instructions to: (i) procurement and arrangement of payment of the research and development of the gaming equipment; and (ii) placement of production orders, arrangement of payment, receipt in the PRC, inspection and performance of quality check of gaming equipment to be produced by the Independent Supplier in bulk. The duration of the Agency Agreement is a period from 12 February 2018, being the date of the Agency Agreement, up to the completion of the Procurement Transaction as aforesaid.

Pursuant to the Agency Agreement, Shanghai Libiao is responsible for any losses or damages of the Group resulting from the breach or delay in the performance of Shanghai Libiao's obligations under the Agency Agreement caused by the fault, negligence or misconduct of Shanghai Libiao, its representatives and/or employees. In return for the performance of the 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.

Shanghai Libiao is a company incorporated in the PRC which 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. As such, the transaction under the Agency Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Given that the applicable percentage ratios in respect of such transaction are more than 0.1% but less than 5%, such transaction is subject to the reporting and announcement requirements but exempt from the independent Shareholders' approval requirement under the Listing Rules.

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

The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules in respect of the above non-exempt connected transaction.

Connected Transactions for Year Ending 31 December 2020

Renewed Supply Framework Agreement

On 12 December 2019, the Company entered into a renewed supply framework agreement (the "Renewed Supply Framework Agreement") with Mr. Feng for the sale of slot machines and other electronic gaming machines and equipment, the components, accessories and parts, etc. to Mr. Feng and the companies controlled by him for a term of one year commencing from 1 January 2020 and ending on 31 December 2020. Pursuant to the Renewed Supply Framework Agreement, the total transaction amount for the year ending 31 December 2020 shall not be more than HK$40,000,000.

Mr. Feng is the brother-in-law of Mr. Jay Chun, the controlling Shareholder, 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 therefore, the transactions contemplated under the Renewed Supply Framework Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules for the year ending 31 December 2020.

As each of the applicable percentage ratios (as defined under the Listing Rules) in respect of the annual transaction amount under the Renewed Supply Framework Agreement exceeds 0.1% but is less than 5%, the Renewed Supply Framework Agreement is subject to the reporting, announcement and annual review requirements but exempt from the independent Shareholders' approval requirement under the Listing Rules.

For identification purposes only

Further details of the Renewed Supply Framework Agreement are set out in the Company's announcement dated 12 December 2019.

The Directors, including the independent non-executive Directors, have reviewed the terms of Renewed Supply Framework Agreement and have confirmed that: (i) the Renewed Supply Framework Agreement was entered into in the ordinary and usual course of business of the Group and on normal commercial terms or better; and (ii) the terms and conditions of the Renewed Supply Framework Agreement, including the annual cap, are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

During the year ended 31 December 2019, no transaction was carried out under the Renewed Supply Framework Agreement.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

Save as disclosed under the section headed "Connected Transactions" in this Directors' Report and in notes 23 and 39 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 (or any entity connected with a 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 2019.

CONTROLLING SHAREHOLDERS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

Save as disclosed under the section headed "Connected Transactions" in this Directors' Report and in notes 23 and 39 to the consolidated financial statements, no contracts of significance (including contracts of significance for the provision of services) between the Company (or any of its subsidiaries) and any controlling Shareholder (or any of the Company's subsidiaries) subsisted at the end of the year or at any time during the year ended 31 December 2019.

EQUITY-LINKED AGREEMENTS

Other than the Share Option Scheme and the Share Award Scheme disclosed above, no equity-linked agreements were entered into by the Company during the year or subsisted at the end of the year ended 31 December 2019.

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, share awards 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 for the year ended 31 December 2019 are set out in note 10 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 2019 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 35 to 49.

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 50 to 61.

UPDATE ON DIRECTORS' INFORMATION

Biographical details of each of the Directors are set out in the section headed "Profile of Directors and Senior Management" in this annual report.

With effect from 1 January 2019, the annual remuneration payable to Mr. Hu Liming, an executive Director, has been increased from HK$120,000 to HK$240,000.

With effect from 1 January 2019, the annual Director's fee payable to each of Mr. Li John Zongyang, Mr. Kai-Shing Tao and Ms. Tang Kiu Sam Alice, independent non-executive Directors, has been increased from HK$120,000 to HK$240,000.

For more details, please refer to note 10 to the consolidated financial statements.

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

EVENTS AFTER THE REPORTING PERIOD

Due to an outbreak of a respiratory illness caused by a novel coronavirus, on 4 February 2020, as part of the measures to curb the spread of the coronavirus disease in Macau, the Macau government announced the suspension of operations of all casinos in Macau for at least 15 days from 5 February 2020. Operations at Casino Kam Pek Paradise were suspended on 5 February 2020 and were resumed on 20 February 2020 while operations at Casino Waldo were suspended on 5 February 2020 and were resumed on 24 February 2020. The duration and intensity of this global health emergency and related disruptions is uncertain, including potential broader impacts outside of the Mainland China if travel and visitation continues to be restricted and there is a resulting decline in Chinese tourist spending in Macau. Given the dynamic nature of these circumstances, the related impact on the Group's operating segments in Macau and our consolidated results of operations, cash flows and financial condition will be material but cannot be reasonably estimated at this time.

The service contract for the Group's provision of casino management services in Casino Waldo expired on 29 February 2020 ("Date of Expiry"). The Group did not request for renewal or extension of the service contract and accordingly, the Group has ceased to provide casino management services in Casino Waldo since 1 March 2020. Up to the date of approval of the Group's consolidated financial statements for the year ended 31 December 2019, the Group is in the progress of finalisation of the accounts relating to the provision of casino management services in the casino drawn up to the Date of Expiry and also in the progress of negotiation with relevant parties for confirming and agreeing the treatment and related consideration of, and other handover matters for the gaming machines, equipment, systems and other assets which were placed by the Group in the casino. As such, financial impact arising from Group's cessation of provision of casino management services in Casino Waldo on the Group's results, cash flows and financial condition could not be reasonably estimated at this time.

Other than as disclosed above, there is no other event after the reporting period which is required to be disclosed.

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.

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 136 of this annual report.

INDEPENDENT AUDITOR

By a resolution passed at a general meeting of the Company held on 25 May 2017, Deloitte Touche Tohmatsu has been appointed as the independent auditor of the Company to fill the vacancy arising from the retirement of PAN-CHINA (H.K.) CPA Limited. Save as disclosed, there were no other changes in the Company's independent auditor for the preceding three years.

The consolidated financial statements of the Company for the year ended 31 December 2019 were audited by Deloitte Touche Tohmatsu. A resolution will be proposed at the 2020 AGM to re-appoint Deloitte Touche Tohmatsu as the independent auditor of the Company.

On behalf of the Board

Jay Chun
Chairman and Managing Director

Hong Kong, 26 March 2020

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 2019 except for certain deviations disclosed herein.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code as the code of conduct regarding Directors' securities transactions. Having made specific enquiry of all Directors, all Directors have confirmed that they had complied with the requirements set out in the Model Code during the year ended 31 December 2019.

BOARD OF DIRECTORS

(a) Board Composition

Given the nature and business objectives of the Company, the Board has a balance of skill and experience, and board diversity 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 2019, eleven Board meetings and an annual general meeting were held. The attendance of each member of the Board at these meetings are as follows:

	Number of attendance/meetings	
Directors	**Board meetings**	**Annual general meeting held on 21 May 2019**
Executive Directors:		
Mr. Jay Chun *(Chairman and Managing Director)*	11/11	1/1
Mr. Shan Shiyong, alias, Sin Sai Yung	0/11	0/1
Mr. Hu Liming	1/11	0/1
Independent Non-executive Directors:		
Mr. Li John Zongyang	4/11	0/1
Mr. Kai-Shing Tao	1/11	0/1
Ms. Tang Kiu Sam Alice	10/11	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, adoption of dividend policy, dividend payout (if any), adoption of nomination policy, 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, operations and decisions 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 2019, 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 with the Model Code, the CG Code and disclosure in this Corporate Governance Report (including the nomination policy, dividend policy, board diversity policy and effectiveness of the risk management and internal control systems) from time to time.

(f) Environmental, Social and Governance Functions

The Board has overall responsibility for the Group's strategy and reporting in connection with ESG. An ESG team, reporting to the Board, is formed for the purpose of ESG evaluation and reporting with members who own ESG knowledge to conduct internal and external materiality assessments and skill in preparation of ESG reports. The ESG team members will, if they think fit, meet the employees from different departments to drive implementation, review their operations in order to identify relevant ESG issues and assess their materiality based on their impact to our businesses as well as the stakeholders.

DIVIDEND POLICY

In December 2018, the Board adopted a dividend policy of the Company. Details of which are as follows:

The Board will meet semi-annually to consider and declare interim/final dividends, if any. The Board may also declare special dividends from time to time in addition to the interim/final dividends.

On consideration of any dividend, the Board will take into account the Company's distributable reserves, the Group's performance, liquidity position, expected working capital requirements, future prospects and other factors that the Board deems relevant, provided that payment of proposed dividend will not affect operations of the Group. The declaration and payment of dividend is subject to any applicable restrictions under the laws of Bermuda, the Bye-laws of the Company, the Listing Rules and any applicable laws, rules and regulations.

The Board will review the dividend policy from time to time and may exercise at its sole and absolute discretion to update, amend and/or modify the policy at any time as it deems fit and necessary.

There is no assurance that any particular amount of dividend will be paid for any given period.

NOMINATION POLICY

In December 2018, the Board adopted a nomination policy of the Company (the "Nomination Policy") which sets out the objectives, selection criteria and nomination procedures in appointment and re-appointment of Directors. The Nomination Policy specifies that the Company will nominate suitable candidates to the Board for it to consider and make recommendations to the Shareholders for election of Directors at general meetings, appointment of Directors to fill casual vacancies, Board succession planning considerations and periodical reviews of the plan.

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.

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 Rule 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 2019, 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.

COMMITTEES

The Board has established three committees, namely the Audit Committee, the Remuneration Committee and the Nomination 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.

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 2019, 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	1/2
Ms. Tang Kiu Sam Alice	2/2

During the year ended 31 December 2019, 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 annual results announcement and the annual report of the Group for the year ended 31 December 2018, the related accounting principles and practices adopted by the Group with recommendations to the Board for approval, and the relevant audit findings;

— reviewed the continuing connected transactions carried out during the year ended 31 December 2018;

— recommended the re-appointment of Deloitte Touche Tohmatsu as the independent auditor of the Company in the annual general meeting held on 21 May 2019;

— reviewed with the management of the Company the unaudited consolidated financial statements, the interim results announcement and the interim report of the Group for the six months ended 30 June 2019 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 2019, the reporting obligations and the work plan 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 regarding adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting and financial reporting function etc.; and

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

During the year ended 31 December 2019, the Audit Committee met two times with the independent auditor of the Company. The Company has met the requirement of code provision C.3.3(e)(i) of the CG Code, stating that the Audit Committee must meet, at least twice a year, with the independent auditor of 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 2019, 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 2019, 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 but excluding Mr. Kelcey Allison, who joined the Group in January 2020) by bands for the year ended 31 December 2019 were as follows:

	Number of individuals
HK$1,000,001 to HK$1,500,000	1
HK$1,500,001 to HK$2,000,000	1
HK$3,000,001 to HK$3,500,000	1
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 2019 are set out in note 10 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.

The Board has adopted a board diversity policy of the Company (the "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 appointments of Board members 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/measurable goals, 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 Board considered that the aforementioned measurable goals have been achieved satisfactorily during the year ended 31 December 2019, and the Board will continue to review the relevant goals from time to time to ensure its progress for achieving such goals.

The Nomination Committee also conducts an annual review of the independence of independent non-executive Directors with consideration of those factors set forth in Rule 3.13 of the Listing Rules 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 2019, 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 2019, 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, 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 annual general meeting of the Company held on 21 May 2019; and

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

The nomination procedures and the process and criteria adopted by the Nomination Committee to select and recommend for re-appointment of Directors during the year ended 31 December 2019 were as follows:

(1) The Nomination Committee considered each retiring Director, having due regard to the Nomination Policy, the Board Diversity Policy and the Listing Rules, and assessed the independence of each retiring independent non-executive Director;

(2) The Nomination Committee made recommendations to the Board;

(3) The Board considered each retiring Director recommended by the Nomination Committee, having due regard to the Nomination Policy, the Board Diversity Policy and the Listing Rules;

(4) The Board recommended the retiring Directors to stand for re-election at the annual general meeting in accordance with the Company's Bye-laws; and

(5) The Shareholders approved the re-appointment of retiring Directors at the annual general meeting held on 21 May 2019.

REVIEW OF AUDITED CONSOLIDATED FINANCIAL STATEMENTS BY THE AUDIT COMMITTEE

The Audit Committee has reviewed with the management and the independent auditor of the Company the audited consolidated financial statements of the Group for the year ended 31 December 2019 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 consolidated financial statements for the year ended 31 December 2019 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 2019 is as follows:

Services rendered for the Company	HK$'000
Audit services	2,480
Non-audit services: Interim review for the six months ended 30 June 2019	500
	2,980

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 all applicable 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 2019 and for the year ended 31 December 2019, the Directors have adopted suitable accounting policies and applied them consistently. The consolidated financial statements for the year ended 31 December 2019 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 2019, the company secretary of the Company has taken no less than 15 hours of relevant professional training.

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 annual reports, interim reports, announcements 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, 19th Floor, Entertainment Building, 30 Queen's Road Central, Hong Kong
Fax No.: (852) 2620 6000
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 the 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 2019, 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 risk 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 auditor (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 U.S.), outbreak of highly infectious diseases 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 U.S.), which would have an adverse impact on the gaming and travel related activities in Macau and the demand for the electronic gaming equipment and systems of the Group in the relevant countries and regions (in particular, Macau and the U.S.).

    The Group's control measures are as follows:

    - To stay alert to changes in economic and public health 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 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. There is 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.

The Group's control measures are as follows:

- 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 casinos under the Group's management and attract new patrons from around the world;
- To be responsive to the feedbacks of its customers on the electronic gaming equipment and systems sold or leased and to customise its electronic gaming equipment and systems according to the specific needs of its customers; and
- To collaborate with IGT in distributing the related electronic gaming equipment and systems worldwide (except Macau).

(c) Reliance on the concession contract between the Macau government and SJM (pursuant to which Casino Kam Pek Paradise is licensed for operation) and the existing service agreement of the Group whereby the Group provides casino management services at Casino Kam Pek Paradise. There is possibility of termination/non-renewal of, or unfavourable changes in the terms of, the concession contract and/or the services agreement for whatever reasons.

The Group's control measures are as follows:

- 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 in this respect.

(d) The possible infringement of patents and other intellectual property of the Group (collectively the "IPs") by competitors and third parties, the expiry of the IPs (whereby competitors and third parties are no longer prohibited from using the IPs), and the fast changing technology rendering the IPs obsolete, which may result in a decrease in the value of the IPs and thereby a decrease in demand of the related electronic gaming equipment and systems 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.

The Group's control measures are as follows:

- To monitor any infringement of the IPs and to take appropriate actions to protect its interest;
- To collaborate with IGT to speed up the distribution of the related electronic gaming equipment and systems around the world (except Macau);
- To continuously invest in research and development to keep pace with the fast-changing technology; and
- To modify the Products and to launch more new 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.

The Group's control measure is as follows:

- 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 gaming industry and those for inventing new patents and technology.

The Group's control measures are as follows:

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

- To offer share options and share awards 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 (except Macau), which may have an adverse impact on the quality, production capacity availability and delivery schedules of the Products.

The Group's control measure is as follows:

- 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 36 and 37 to the consolidated financial statements, respectively.

The Group's control measure is as follows:

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

Internal Control

The Board acknowledged that the management of the Company has 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 with sufficient details; and

- Annual audit is carried out by the independent auditor of the Company 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 review continuing connected transactions of the Company regularly and ensure proper compliance with the Listing Rules and all other relevant laws and regulations from time to time.

The Board and the Audit Committee review the Group's Systems on an annual basis.

During the year ended 31 December 2019, the Board and the Audit Committee 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 Reporting Guide") to the Listing Rules, the Group hereby presents the ESG report for the year ended 31 December 2019.

ESG GOVERNANCE

The Group is of the belief that good and effective ESG measures are important to the sustainable development of our business and of our community. The Board is responsible for the Group's 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. In this connection, an ESG team whose members have equipped with requisite knowledge on ESG issues, reporting to the Board, is formed to discharge the tasks in identifying and understanding the main concerns and material interests of the Company's stakeholders for the ESG report. The Group aspires to create long-term value for our stakeholders that is in line with the sustainable and responsible growth of our business, and we believe that transparency and accountability are important foundations for building trust with our stakeholders. The ESG team members strive to maintain an open and transparent dialogue with various stakeholders including employees, customers, suppliers, Shareholders, investors, media and local communities for the purpose of conducting ESG evaluation and materiality assessments, both internal and external. The ESG team members will, if they think fit, engage our key stakeholders on a regular basis across various platforms, such as meetings, interviews, surveys and workshops to gauge their expectations and feedback on how we could address ESG issues in the best manner. For instance, the ESG team members target to meet the employees from different departments to drive implementation, review their operations in order to identify relevant ESG issues and assess their materiality based on their impact to our businesses as well as the stakeholders. Based on the inputs of our key stakeholders, the ESG team prioritises aspects relating to environmental discharges, use of resources, employment and labour standards, operating practices and community investment. Key initiatives and activities of the Group are summarised in the rest of this ESG report. ESG performance is measured, reviewed and reported to management regularly for continuous improvement. The Board oversees the directions of our ESG practices to ensure that they are in line with the operations of the Group.

SCOPE OF REPORTING

This ESG report outlines the policies, initiatives and performance of the Group's core business operations. In particular for Section A "Environmental" of this ESG report, unless otherwise specifically stated, the main ESG issues considered to be material to the Group are those related to the gaming business operations in the two stand-alone satellite casino properties in Macau, namely, Casino Kam Pek Paradise and Casino Waldo (collectively the "Two Satellite Casinos"), the two casinos under the Group's management in 2019. Accordingly, the key performance indicators ("KPIs") disclosed in Section A of this ESG report relate to the Two Satellite Casinos only, unless otherwise specifically stated.

STAKEHOLDER ENGAGEMENT

Through discussions with internal staff and external suppliers and external organisations, we have identified our employees, patrons, our customers and our suppliers as our key stakeholders. We consider our key stakeholders as valued partners and have set up strategic and collaborative business relationships to better understand their respective needs. Through our communication channels with the stakeholders, we map out and prioritise our ESG issues and enhance our understanding of the views and expectations of our stakeholders, enabling us to better assess and manage the impact of our activities.

MATERIALITY ASSESSMENT

After discussion with the key stakeholders, the ESG team has prepared a materiality matrix for the purpose of materiality assessment. The result of the materiality assessment advises the Group that material ESG issues of the Two Satellite Casinos are as follows:

– Employment

– Labour standards

– Development and training

– Health and safety

– Anti-corruption

– Responsible gaming

– Data privacy

– Emissions

These material ESG issues will be discussed in this ESG report.

A. ENVIRONMENTAL

The Group has established environmental policies aiming to lessen its impact on the environmental and natural resources by using its resources more efficiently, and by monitoring and minimizing its energy consumption and thereby reducing emissions as practicable as possible. The Group's environmental policies cover material environmental issues including emissions, use of resources and other environmental impacts, and are more described in the sections below in respect of the Two Satellite Casinos. The Group complies with relevant environmental laws and regulations in Macau and did not note any cases of material non-compliance during the year ended 31 December 2019.

A. ENVIRONMENTAL (Continued)

A1 Emissions

A1.1 Air Emissions

Emissions Data from Gaseous Fuel Consumption

As 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 systems, consumption of towngas and liquefied petroleum gas in the operation of the Two Satellite Casinos are considered insignificant. Accordingly, emission data in this respect is not provided in this ESG report.

Emissions Data from Vehicles

Air emissions from operations of the Two Satellite Casinos are mainly generated from vehicles. In order to improve air quality, the Group aims to reduce air emissions generated from its operations. Considering that the Two Satellite Casinos locate in the city of the Macau Peninsula supported by good network of public transport facilities with close proximity, the Two Satellite Casinos currently do not provide shuttle bus services connecting passengers for instance between border gates and Casino Kam Pek Paradise and/or Casino Waldo. The reduction of such shuttle bus operation reduces traffic and emissions on Macau roads. For the purpose of compliance with the disclosure requirements under the ESG Reporting Guide, details of air emissions data for the year ended 31 December 2019 in respect of the Two Satellite Casinos are as follows:

Type of emissions	**Unit**	**2019**	2018
Nitrogen oxides (NO_X)	Kg	**23**	20
Sulphur oxides (SO_X)	Kg	**1**	1
Particulate matter (PM)	Kg	**2**	1
Total emissions	Kg	**26**	22
Emissions per sq. ft.	Kg/sq. ft.	**0.0001**	0.0001

Remark: The emissions data shown and emission factors applied in this ESG report are provided with reference to the emission factors set out in the document known as "How to prepare an ESG Report? Appendix 2: Reporting Guidance on Environmental KPIs" which is available on the website of the Stock Exchange (the "HKEX Guidance Document") and relevant emission factors in Macau.

For the year ended 31 December 2019, there was mild increase in GHG emissions when compared to that of 2018. However, in terms of intensity, the intensity for 2019 was the same as that of 2018. We target to at least maintain or even reduce air emissions by the year ending 31 December 2020.

A. ENVIRONMENTAL (Continued)

A1 Emissions (Continued)

A1.2 Greenhouse Gas Emissions

With reference to HKEX Guidance Document, greenhouse gas ("GHG") emissions (direct and indirect) can be broadly classified into the following separate scopes:

Scope 1 — Direct emissions from operations that are owned or controlled by the Group. The main source of direct emission of the Two Satellite Casinos is consumption of gasoline and diesel by vehicles controlled by the Group;

Scope 2 — Energy indirect emissions resulting from the electricity purchased; and

Scope 3 — Other indirect emissions that occur outside the reporting entity, including upstream and downstream emissions.

The main sources of GHG emissions arising from our business activities in respect of the Two Satellite Casinos for the year ended 31 December 2019 are the consumption of gasoline, diesel and electricity purchased from power companies. As 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 systems, other indirect emissions under Scope 3 that occur outside the Group are insignificant and accordingly, emission data under Scope 3 is not provided in this ESG report.

GHG emissions data, measured in terms of carbon dioxide equivalent ("CO_2e"), of the Two Satellite Casinos for the year ended 31 December 2019 are as follows:

		Unit	2019	2018
Scope 1	Gasoline and diesel consumed by vehicles	Ton	**114**	97
Scope 2	Electricity purchased	Ton	**6,005**	5,534
	Total emissions	Ton	**6,119**	5,631
	Emissions per sq. ft.	Kg/sq. ft.	**29**	27

There were increases in Scope 1 and Scope 2 emissions in 2019 when compared to those in 2018. It was mainly due to the increase in average temperature in Macau in 2019. Accordingly, more electricity was consumed by the Two Satellite Casinos in 2019. We target to at least maintain or even reduce GHG emissions by the year ending 31 December 2020.

A1.3 Hazardous Waste

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 systems, no significant hazardous wastes and pollutants such as hazardous chemicals are discharged due to its business nature and accordingly, such hazardous waste data is not provided in this ESG report.

A. ENVIRONMENTAL (Continued)

A1 Emissions (Continued)

A1.4 Non-hazardous Waste

In view of the principal business operations of the Two Satellite Casinos and also the measures adopted by the Group to mitigate non-hazardous as more described in Section A1.6 below, non-hazardous wastes produced such as paper waste and water waste are insignificant. Accordingly, data of non-hazardous waste is not provided in this ESG report.

A1.5 Measures to Mitigate Emissions

The main source of emissions of the Two Satellite Casinos is the use of energy. The Group is committed to reducing our emissions through our resource efficiency initiatives wherever possible. For instance, the Group notes that the carbon footprint produced by business trips shall increase GHG emissions although its impact is not significant as far as the business of the Group is concerned. As part of the Group's green policy, employees of the Group are encouraged to reduce and minimise business trips unless they are strictly necessary. Telephone conference facilities are installed in the offices and certain meetings by means of telephone conference have been conducted in lieu of physical conferences. In turn, physical business trips are insignificant, and so as GHG emissions in this respect. The Group has also adopted various energy-saving initiatives to reduce the emissions. Please refer to the Section A2 "Use of Resources" below for details.

A1.6 Measures to Mitigate Non-hazardous Waste

The Group, as well as the Two Satellite Casinos, has managed to keep their level of non-hazardous waste low as a result of the Group's policy in reducing wastes. In order to reduce paper waste, the Group advocates the policy "Reduce, Reuse and Recycle", and encourages its staff to reduce paper usage and recycle paper waste where possible. For example, the use of recycled papers and double-sided printing and photo-copying are adopted and the Group's Interim Report 2019 and Annual Report 2018, etc. were made of papers certified by the Forest Stewardship Council. Moreover, waste toner cartridges are recycled. Paperless approval processes and paperless meetings are encouraged to reduce the use of photocopy papers where applicable. On the other hand, in order to reduce waste plastic bottles (from bottled distilled water to casino players), there are water bars in the Two Satellite Casinos where hot water, distilled water dispenser and reusable metallic cups are provided to casino players. Since the adoption of water bars, waste plastic bottles have been reduced drastically. We target to at least maintain or even reduce non-hazardous waste by the year ending 31 December 2020.

A. ENVIRONMENTAL (Continued)

A2 Use of Resources

A2.1 Energy Consumption

Direct and/or indirect energy consumed by the Two Satellite Casinos for the year ended 31 December 2019 are as follows:

Type	Unit	2019	2018
Consumption:			
Gasoline	Litre	**39,608**	33,344
Diesel	Litre	**2,441**	2,688
Electricity purchased	Kwh	**16,537,327**	15,239,304
Intensity:			
Gasoline	Litre/sq. ft.	**0.19**	0.16
Diesel	Litre/sq. ft.	**0.01**	0.01
Electricity purchased	Kwh/sq. ft.	**78.31**	72.16

The consumption of gasoline and its intensity increased by 18.8% in 2019 while the consumption of diesel decreased by 9.2% in 2019 when compared to those in 2018. The increase in consumption of gasoline in 2019 was due to increase in usage of motor vehicles which in turn was caused by the increase in sale of LMG terminals and the provision of LMG upgrading services to various casinos in Macau in 2019. The quantity of electricity purchased and the intensity increased by 8.5% in 2019 when compared to those of 2018. The increase in consumption of electricity purchased was mainly due to increase in average temperature in Macau in 2019. Accordingly, more electricity was consumed by the Two Satellite Casinos in 2019. We target to at least maintain or even reduce consumption of gasoline, diesel and electricity by the year ending 31 December 2020.

A2.2 Water Consumption

Water consumed by the Two Satellite Casinos for the year ended 31 December 2019 is as follows:

	Unit	2019	2018
Water consumed	M^3	**21,448**	22,378
Intensity of water consumed	M^3/sq. ft.	**0.10**	0.11

Compared with 2018, the consumption of water in 2019 decreased by 4.2% which reflects the Group's effort to minimise the consumption of water. We target to at least maintain or even reduce water consumption by the year ending 31 December 2020.

A. ENVIRONMENTAL (Continued)

A2 Use of Resources (Continued)

A2.3 & A2.4 Energy and Water Efficiency Initiatives

To reduce the Group's negative impact on the environment, the Group sets out policy for effective use of resources in order to protect the environment and make its business operations more cost-efficient. The Group has implemented green office practices in order to minimise the use of resources like paper, electricity and water, wherever possible.

The Group's green measures include double-sided printing, the use of energy-saving lightings such as light-emitting diode ("LED") lightings both on the sign boards and at the Two Satellite Casinos, and reducing energy consumption by switching off idle lightings, computers and electrical appliances, etc. In order to save electricity consumed, the indoor temperature in the Two Satellite Casinos is maintained at reasonable level in order to avoid over usage of air-conditioning and electricity. Moreover, labels reminding employees to save energy are placed close to the switches.

In order to reduce consumption of paper, collection boxes have been put in place to collect single-side used papers for reuse as draft papers and other scrap papers for recycling. Staff are reminded the necessity in email communications before printing out in hard copies to reduce unnecessary paper usage. Moreover, paperless approval processes are adopted for the purpose of reducing use of paper.

In order to reduce consumption of water, the data of water consumption pattern in respect of the Two Satellite Casinos were collected and analysed. Water bars are installed in the Group's casinos where hot water, distilled water dispenser and reusable metallic cups are provided to casino players. Under such arrangement, water is consumed by patrons on an as-needed basis by the adoption of water bars, as opposed to constraining patrons' consumption of bottled water which may be beyond their needs. As a result of such policies, consumption of water has been reduced drastically.

Since there are no rivers within the territory of Macau where the Two Satellite Casinos operate, the facilities of rainwater storage are very limited. The main source of water in Macau is supplied from Zhuhai, with Xijiang River as the source. The water source in Macau is generally considered to be in low risk of lack of potable water supply. The Two Satellite Casinos did not have any material concerns with respect to sourcing potable water we require for our operations during the year ended 31 December 2019.

We target to at least maintain or even reduce consumption of gasoline, diesel, electricity, water and emissions by the year ending 31 December 2020.

A2.5 Packaging Material

In view of the business nature of the Two Satellite Casinos being mainly the provision of casino management services, the packaging material used for finished products is not significant and accordingly, such packaging material data is not provided in this ESG report.

A. ENVIRONMENTAL (Continued)

A3 The Environment and Natural Resources

The Group recognises the responsibility in managing the Group's impact on the environment. For this reason, the Group has adopted series of initiatives as set out above in order to minimise emissions and consumption of energy and resources. The Group closely monitors the utilisation of resources and shall take appropriate actions to seek opportunities for increasing operating efficiency in order to reduce the consumption of non-renewable resources where possible. The Group shall assess the environmental risks of the Group's operations and ensure the Group's compliance with relevant laws and regulations in Macau from time to time. During the year ended 31 December 2019, the Group did not recognise any significant non-compliance with relevant laws and regulations in Macau in this aspect.

Indoor Air Quality

In order to improve quality of air in the Two Satellite Casinos for the health of the patrons and the Group's staff, air-purifiers are in place. The Group is committed to complying with relevant prevailing laws and requirements and adhering to the Regime of Tobacco Prevention and Control requirements imposed by the relevant Macau government authority.

The Group did not note any cases of material non-compliance with Air Pollution Control Ordinance and Water Pollution Control Ordinance of Hong Kong or the applicable legislation in Macau regarding the Group's operations during the year ended 31 December 2019.

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 recruitment, payroll, working hours, rest periods, termination and rules of conduct. The Group's offices 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, share awards, 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 provision of 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. When a position becomes available, we prefer internal promotion (where possible) rather than external recruitment.

B. SOCIAL (Continued)

B1 Employment (Continued)

The Group strives to maintain the work-life balance of its employees by establishing fair and reasonable working hours and leave policy to ensure that employees have sufficient time for rest and leisure. For the betterment of harmonious relationship between the employees across departments and offices, the Group provides various social activities to its employees where appropriate.

The Group did not note any cases of material non-compliance with the "Labour Relations Law" of the Labour Affairs Bureau of Macau and the "Labour Legislation" of Labour Department of Hong Kong during the year ended 31 December 2019.

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, if any, 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 with the Occupational Safety and Health Ordinance of Hong Kong or the applicable legislation in Macau during the year ended 31 December 2019.

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, with a view to promoting the long-term development of its employees. For this reason, vocational training courses are provided to the employees, for example, anti-money laundering courses are provided to employees in Macau. The Group also sponsored the employees for external training courses and part-time degree courses towards certain selected employees in 2019.

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, including but not limited to hiring for the gaming areas in respect of the Two Satellite Casinos. The Group formally requires all job applicants to present their identity card when they attend recruitment interview.

The Group did not note any cases of material non-compliance with the "Labour Relations Law" of the Labour Affairs Bureau of Macau and the "Labour Legislation" of Labour Department of Hong Kong during the year ended 31 December 2019.

B. SOCIAL (Continued)

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 promote green products. The suppliers are required to adhere to the Group's ESG policies including but not limited to:

– Provision of safe working environment;

– Prohibition of child and forced labour;

– Certified green products preferred;

– Fair wages and fair working environment without discrimination; and

– Compliance with or exceeding all relevant laws, regulations, and codes of conduct or practice.

In light of this policy, photocopiers of less consumption of energy and less emissions of carbon are adopted by the Two Satellite Casinos and the Group.

B6 Product Responsibility

Responsible Gaming

As a group engaged in the provision of casino management services, the Group is committed to promoting responsible gaming and supporting Macau government's relevant measures. The Group promotes responsible gaming in a variety of ways, including:

– Notice boards, kiosks and posters are in place in the Two Satellite Casinos to improve the awareness of problem gaming among the Group's employees and the patrons;

– Staff of the Two Satellite Casinos are prohibited at all times from gambling at any gaming venue thereunder at which they are employed pursuant to Article 4, Clause 3 of Macau's Law No. 10/2012 (Amended by Law No. 17/2018) — Regulating the Conditions of Entering, Working and Gaming at Casinos;

– The Group shall also seek suitable opportunities to take part in the events with non-profitable or charitable organisations and academic institutions in Macau to alleviate the adverse social impact as a result of problem gaming;

– Providing our employees with training on responsible gaming as part of their orientation; and

– Assisting our customers in obtaining information about responsible gaming.

Data Privacy

The Group understands the importance of data privacy. The Group is committed to protecting the privacy of its customers in collection, processing and use of their personal data. The Group has adopted policies on consumer data protection in compliance with relevant laws and regulations in Macau and Hong Kong. Training courses on data privacy and protection of data have been conducted. The Group did not note any cases of material non-compliance with the Personal Data (Privacy) Ordinance of Hong Kong and the Personal Data Protection Act of Macau in relation to data privacy during the year ended 31 December 2019.

B. SOCIAL (Continued)

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 adhere to our standards of ethical, personal and professional conduct serving with integrity and honesty.

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.

The Group did not note any cases of material non-compliance with the relevant Prevention of Bribery Ordinance and Anti-money laundering Ordinance of Hong Kong and Macau during the year ended 31 December 2019.

B8 Community Investment

It is the Group's policy on the community engagement to understand the needs of the communities where the Group operates and to support and sponsor charitable activities where appropriate after taking into consideration of the communities' interests.

For the benefit of the Macau community in advancing arts, culture and sports, the Group has been supporting and sponsoring a variety of activities to attain social harmony. Major initiatives during the year ended 31 December 2019 which attracted popularity and applause from the Macau community include sponsoring and supporting the events as follows:

– The Fourth "Y Show" Macau Art Graduates Joint Exhibition; and

– "Walk for Millions" charitable event in Macau.

The Group has also set up a showroom for non-gaming attraction known as "Street Steel — Heavy Metal Bike Gallery Macau" in Casino Kam Pek Paradise with more than 20 collectable luxury motorbikes, which is free for public visit.

The Group is also dedicated to supporting the advancement of education for young people, helping them establish a strong and solid foundation of their chosen careers. During the year ended 31 December 2019, the Group offered scholarships to eligible students of the Macau Polytechnic Institute. The Group will continue to look for opportunities to support selected universities and institutions in Macau to develop local talents for the betterment of Macau in advancing its competitiveness in the long run.

SELECTED MAJOR AWARDS

The following table shows selected major awards received by the Group during the year ended 31 December 2019:

Award Name	Presenter
Greater Bay Area Innovative Technology Awards	China (Macau) Financial Awards Organising Committee
"EcoPartner" of the "BOCHK Corporate Environmental Leadership Awards 2018"	Jointly presented by the Federation of Hong Kong Industries and Bank of China (Hong Kong) Limited
Certificate of Excellence of The HKIRA 5th Investor Relations Awards	Hong Kong Investor Relations Association
3rd China Excellent Investor Relations Award • Greatest Potential Award	International Roadshow Center

Independent Auditor's Report

Deloitte. 德勤

TO THE SHAREHOLDERS 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 (collectively referred to as "the Group") set out on pages 67 to 135, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and 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 2019, 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 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 matter	How our audit addressed the key audit matter
Impairment assessment of the intangible asset and property, plant and equipment	
We have identified the impairment assessment of the intangible asset and property, plant and equipment allocated to the single cash-generating unit comprising the patent for the computerised gaming system for operating multi-gambling games in Macau (the "Macau Patent CGU") as a key audit matter due to the significant level of management judgment involved in determining the recoverable amount of the Macau Patent CGU for impairment assessment on the intangible asset and property, plant and equipment. As set out in notes 16 and 14 to the consolidated financial statements, as at 31 December 2019, intangible asset of approximately HK$68,781,000 represents patent pertaining to the computerised gaming system for operating multi-gambling games installed on the electronic gaming equipment which operate in certain casinos in Macau, and the property, plant and equipment of approximately HK$56,018,000, respectively, are allocated to the Macau Patent CGU. In the opinion of the directors of the Company, no impairment loss was identified on the intangible asset and the related property, plant and equipment as at 31 December 2019. The valuation of intangible asset and property, plant and equipment in relation to patent is assessed by comparing the recoverable amount of the Macau Patent CGU, to their carrying amounts at the end of each reporting period. The recoverable amount of the Macau Patent CGU is the value in use of the Macau Patent CGU determined by the directors of the Company based on the present value of estimated future cash flows to be generated over the remaining license period and with reference to the valuation report prepared by an independent professional valuer, which was approved by the directors of the Company. The key assumptions adopted by the management in the value in use calculation of the recoverable amount of the Macau Patent CGU are growth rates of revenue and costs and pre-tax discount rate.	Our procedures in relation to the impairment assessment of the intangible asset and property, plant and equipment included: • Obtaining an understanding of the impairment assessment process used by the management and involvement of the independent professional valuer engaged by the Company to estimate the recoverable amounts based on a value in use calculation; • Assessing the competence, capabilities and objectivity of the independent professional valuer; • Assessing the reasonableness of the key assumptions adopted by the management in determining the recoverable amount of the Macau Patent CGU, including growth rates of revenue and costs and discount rate, with the involvement of our valuation specialist; • Evaluating the historical accuracy and reasonableness of the value in use calculation by comparing the historical cash flow forecasts with the actual performance of the Macau Patent CGU; • Understanding the key assumptions applied to the valuation with reference to available market data; and • Evaluating whether the disclosures are appropriately made in accordance with the Hong Kong Accounting Standard ("HKAS") 16 "Property, Plant and Equipment", HKAS 36 "Impairment of Assets" and HKAS 38 "Intangible Assets".

Key audit matter	How our audit addressed the key audit matter
Estimation of write-down amount of trading goods	
We have identified the estimation of the write-down amount of trading goods as a key audit matter due to the estimation uncertainty inherent in the management's process in determining the write-down amount of slow-moving and obsolete trading goods. As at 31 December 2019, the carrying amount of trading goods, after the write-down amount of HK$5,945,000, was HK$34,736,000. As disclosed in note 4 to the consolidated financial statements, the management of the Group identifies slow-moving and obsolete trading goods with reference to an aged analysis and the management's assessment of technical specification and determines the write-down amount for trading goods by considering the saleability of trading goods.	Our procedures in relation to the estimation of the write-down amount of trading goods included: • Obtaining an understanding of the Group's write-down policy for trading goods and evaluating management's process in identifying slow-moving and obsolete trading goods and determining the write-down amount for those trading goods; • Checking the accuracy of the aged analysis for trading goods used by management to determine the write-down amount, on a sample basis, to relevant purchase invoices and goods receipt notes; • Examining the subsequent sales of the trading goods, on a sample basis, to the sales invoices and goods delivery notes and comparing the sales price to the recorded cost to check whether the inventory is valued at lower of cost and net realisable value; and • Evaluating the sufficiency of the write-down amount for slow-moving and obsolete trading goods with reference to sales history or subsequent sales, current market conditions and the management's assessment of technical specification.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include 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 THOSE CHARGED WITH GOVERNANCE 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 disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors 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 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 RESPONSIBILITIES 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 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.

- 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance 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 those charged with governance 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 those charged with governance, 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 partner on the audit resulting in the independent auditor's report is Kwok Lai Sheung.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
26 March 2020

Consolidated Statement of Profit or Loss

For the year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Revenue	5	**1,181,754**	1,164,207
Cost of sales and services		**(675,243)**	(633,201)
Gross profit		**506,511**	531,006
Other income, gains and losses	7	**18,886**	15,670
Marketing, selling and distribution costs		**(229,919)**	(235,868)
Operating and administrative expenses		**(271,768)**	(244,398)
Amortisation of intangible assets		**(12,138)**	(12,138)
Finance costs	8	**(3,421)**	(712)
Share of losses of joint ventures	17	**(2,149)**	—
Profit before taxation	9	**6,002**	53,560
Taxation credit (charge)	11	**4,558**	(403)
Profit for the year		**10,560**	53,157
Profit for the year attributable to:			
Owners of the Company		**926**	58,224
Non-controlling interests		**9,634**	(5,067)
		10,560	53,157
Earnings per share:	13		
— Basic		**HK0.1 cent**	HK5.5 cents
— Diluted		**N/A**	N/A

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2019

	2019 HK$'000	2018 HK$'000
Profit for the year	**10,560**	53,157
Other comprehensive expense:		
Item that will not be reclassified to profit or loss:		
Fair value loss on investment in equity instruments designated at fair value through other comprehensive income	**(62)**	(1,277)
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**(852)**	(917)
Other comprehensive expense for the year	**(914)**	(2,194)
Total comprehensive income for the year	**9,646**	50,963
Total comprehensive income (expense) for the year attributable to:		
Owners of the Company	**5**	56,264
Non-controlling interests	**9,641**	(5,301)
	9,646	50,963

Consolidated Statement of Financial Position

At 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Non-current assets			
Property, plant and equipment	14	**310,393**	246,938
Right-of-use assets	15	**18,093**	—
Intangible assets	16	**68,781**	80,919
Interests in joint ventures	17	**3,540**	—
Investment in equity instruments designated at fair value through other comprehensive income	18	**1,366**	1,428
Other assets	19	**5,906**	4,363
		408,079	333,648
Current assets			
Inventories	20	**61,545**	78,998
Trade and other receivables	21	**163,860**	176,199
Amount due from a joint venture	22	**195**	—
Amounts due from related companies	23	**1,140**	901
Pledged bank deposit	24	**28,800**	28,800
Bank balances and cash	25	**245,612**	264,827
		501,152	549,725
Current liabilities			
Trade and other payables	26	**127,158**	151,492
Amounts due to directors	23	**2,109**	2,239
Amounts due to joint ventures	22	**184**	—
Taxation payable		**6,912**	11,878
Bank borrowings — due within one year	27	**8,776**	5,048
Lease liabilities	28	**10,659**	—
		155,798	170,657
Net current assets		**345,354**	379,068
Total assets less current liabilities		**753,433**	712,716
Non-current liabilities			
Bank borrowings — due after one year	27	**137,055**	83,998
Lease liabilities	28	**7,894**	—
		144,949	83,998
Net assets		**608,484**	628,718

Consolidated Statement of Financial Position (Continued)

At 31 December 2019

	Note	2019 HK$'000	2018 HK$'000
Capital and reserves			
Share capital	29	**1,052**	1,052
Reserves		**555,563**	581,863
Equity attributable to owners of the Company		**556,615**	582,915
Non-controlling interests		**51,869**	45,803
		608,484	628,718

The consolidated financial statements on pages 67 to 135 were approved and authorised for issue by the board of directors on 26 March 2020 and are signed on its behalf by:

JAY CHUN
DIRECTOR

TANG KIU SAM ALICE
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	Attributable to owners of the Company							
	Share capital HK$'000	**Contributed surplus** HK$'000 (note)	**Investment revaluation reserve** HK$'000	**Translation reserve** HK$'000	**Accumulated losses** HK$'000	**Subtotal** HK$'000	**Non-controlling interests** HK$'000	**Total** HK$'000
At 31 December 2017 (audited)	1,052	1,046,809	1,304	21,892	(544,406)	526,651	51,104	577,755
Profit (loss) for the year	–	–	–	–	58,224	58,224	(5,067)	53,157
Other comprehensive expense for the year	–	–	(1,047)	(913)	–	(1,960)	(234)	(2,194)
Total comprehensive (expense) income for the year	–	–	(1,047)	(913)	58,224	56,264	(5,301)	50,963
At 31 December 2018 (audited)	1,052	1,046,809	257	20,979	(486,182)	582,915	45,803	628,718
Profit for the year	–	–	–	–	926	926	9,634	10,560
Other comprehensive (expense) income for the year	–	–	(51)	(870)	–	(921)	7	(914)
Total comprehensive (expense) income for the year	–	–	(51)	(870)	926	5	9,641	9,646
Deregistration of a subsidiary	–	–	–	–	–	–	25	25
Dividend paid (note 12)	–	(26,305)	–	–	–	(26,305)	–	(26,305)
Dividend recognised as distribution to non-controlling interests (note 30)	–	–	–	–	–	–	(3,600)	(3,600)
At 31 December 2019	1,052	1,020,504	206	20,109	(485,256)	556,615	51,869	608,484

Note: The contributed surplus represents the aggregate of: (i) the difference between the nominal amount of the share capital issued by the Company and the aggregate of the nominal amounts 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; (iii) the effect of the reduction of share premium took place in 2017; and (iv) the effect of dividend for the year ended 31 December 2018 paid in 2019.

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	2019 HK$'000	2018 HK$'000
Operating activities		
Profit before taxation	6,002	53,560
Adjustments for:		
Interest income	(5,132)	(4,394)
Finance costs	3,421	712
Amortisation of intangible assets	12,138	12,138
Depreciation of property, plant and equipment	59,386	58,084
Deprecation of right-of-use assets	11,093	—
Gain on disposal of right-of-use assets	(15)	—
Loss on deregistration of a subsidiary	25	—
Share of losses of joint ventures	2,149	—
Loss on disposal of property, plant and equipment	—	642
Loss allowance on financial assets	—	258
Write-down of inventories	5,945	4,961
Operating cash flows before movements in working capital	95,012	125,961
Decrease (increase) in inventories	2,637	(21,284)
Decrease in trade and other receivables	8,977	2,338
Decrease in finance lease receivables	—	9,467
Increase in amount due from related companies	(239)	(678)
Increase in amount due to joint ventures	160	—
(Decrease) increase in trade and other payables	(24,415)	2,543
Cash from operations	82,132	118,347
Lump Sum Dividend Tax paid	(378)	(378)
PRC Enterprise Income Tax paid	(30)	(15)
Net cash from operating activities	81,724	117,954
Investing activities		
Purchases of property, plant and equipment	(114,097)	(163,988)
Advances to joint ventures	(5,860)	—
Deposits paid for acquisitions of property, plant and equipment	(1,918)	(1,084)
Payments for rental deposits	(867)	—
Interest received	4,117	2,525
Repayment of loan receivable	1,560	—
Proceeds of rental deposits refunded	366	—
Proceeds on disposal of property, plant and equipment	164	187
Placement of pledged bank deposit	—	(28,800)
Repayment from a related company	—	360
Net cash used in investing activities	(116,535)	(190,800)

	2019 HK$'000	2018 HK$'000
Financing activities		
New bank borrowing raised	**63,000**	90,291
Dividend paid	**(26,305)**	—
Repayment of lease liabilities	**(10,982)**	—
Repayments of bank borrowings	**(6,215)**	(1,245)
Interest paid	**(3,019)**	(644)
Repayments to directors	**(130)**	(734)
Net cash from financing activities	**16,349**	87,668
Net (decrease) increase in cash and cash equivalents	**(18,462)**	14,822
Cash and cash equivalents at beginning of the year	**264,827**	250,848
Effect of foreign exchange rate changes	**(753)**	(843)
Cash and cash equivalents at end of the year, representing bank balances and cash	**245,612**	264,827

1. GENERAL

Paradise Entertainment Limited (the "Company") is 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"). Its ultimate holding company is August Profit Investments Limited, a company established in the British Virgin Islands ("BVI"). In the opinion of the directors of the Company, the Company's ultimate controlling party is Mr. Jay Chun, who is also an executive director of the Company. The addresses of the registered office and 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 of a diverse group of companies that are principally engaged in provision of the casino management services, and the development, sale and leasing of electronic gaming equipment and systems. The principal activities of its principal subsidiaries are set out in note 42.

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

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and Amendments to HKFRSs that are mandatorily effective for the current year

The Company and its subsidiaries (collectively referred as the "Group") has applied the following new and amendments to HKFRSs and an interpretation issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

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

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

HKFRS 16 "Leases"

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 "Determining whether an Arrangement contains a Lease" and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening accumulated losses and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

ii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;

iii. applied a single discount rate to a portfolio of leases with similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of properties in Macau, Hong Kong, the People's Republic of China (the "PRC") and the United States of America ("U.S.") were determined on a portfolio basis for each location respectively; and

iv. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

HKFRS 16 "Leases" (Continued)

As a lessee (Continued)

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessees' incremental borrowing rate applied is 2.86%.

	At 1 January 2019 HK$'000
Operating lease commitments disclosed as at 31 December 2018	49,247
Less: Recognition exemption — short-term leases	(25,891)
	23,356
Lease liabilities discounted at relevant incremental borrowing rates	(1,206)
Lease liabilities relating to operating leases recognised upon application of HKFRS 16 as at 1 January 2019	22,150
Analysed as	
Current	8,833
Non-current	13,317
	22,150

The carrying amount of right-of-use assets for own use as at 1 January 2019 comprises the following:

	HK$'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	22,150
By class:	
Leasehold land and buildings	21,614
Motor vehicles	536
	22,150

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

HKFRS 16 "Leases" (Continued)

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018	Adjustments	Carrying amounts under HKFRS 16 at 1 January 2019
	HK$'000	HK$'000	HK$'000
Non-current asset			
Right-of-use assets	—	22,150	22,150
Current liability			
Lease liabilities	—	(8,833)	(8,833)
Non-current liability			
Lease liabilities	—	(13,317)	(13,317)

Note: For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 December 2019, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 January 2019 as disclosed above.

Amendments to HKAS 28 "Long-term Interests in Associates and Joint Ventures"

The amendments clarify that an entity applies HKFRS 9 "Financial Instruments" ("HKFRS 9"), including the impairment requirements, to long-term interests in a joint venture to which the equity method is not applied that form part of the net investment in the investee. Furthermore, in applying HKFRS 9 to long-term interests, an entity does not take into account adjustments to their carrying amount required by HKAS 28 (i.e. adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with HKAS 28).

As at 31 December 2019, amount due from a joint venture of HK$5,665,000 is considered as long-term interest that, in substance form part of the Group's net investments in the relevant joint ventures. However, the application is not expected to have impact as the Group's existing accounting policies are consistent with the requirements clarified by the amendments.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts[1]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[3]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[4]

1 Effective for annual periods beginning on or after 1 January 2021.

2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

3 Effective for annual periods beginning on or after a date to be determined.

4 Effective for annual periods beginning on or after 1 January 2020.

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, "the Amendments to References to the Conceptual Framework in HKFRS Standards", will be effective for annual periods beginning on or after 1 January 2020.

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

Amendments to HKAS 1 and HKAS 8 "Definition of Material"

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgments. In particular, the amendments:

- include the concept of "obscuring" material information in which the effect is similar to omitting or misstating the information;
- replace threshold for materiality influencing users from "could influence" to "could reasonably be expected to influence"; and
- include the use of the phrase "primary users" rather than simply referring to "users" which was considered too broad when deciding what information to disclose in the financial statements.

The amendments also align the definition across all HKFRSs and will be mandatorily effective for the Group's annual period beginning on 1 January 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

Conceptual Framework for Financial Reporting 2018 (the "New Framework") and the Amendments to References to the Conceptual Framework in HKFRS Standards

The New Framework:

- reintroduces the terms stewardship and prudence;
- introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument;
- discusses historical cost and current value measures, and provides additional guidance on how to select a measurement basis for a particular asset or liability;
- states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances other comprehensive income will be used and only for income or expenses that arise from a change in the current value of an asset or liability; and
- discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements.

Consequential amendments have been made so that references in certain HKFRSs have been updated to the New Framework, whilst some HKFRSs are still referred to the previous versions of the framework. These amendments are effective for annual periods beginning on or after 1 January 2020, with earlier application permitted. Other than specific standards which still refer to the previous versions of the framework, the Group will rely on the New Framework on its effective date in determining the accounting policies especially for transactions, events or conditions that are not otherwise dealt with under the accounting standards.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for investment in equity instruments designated at fair value through other comprehensive income ("FVTOCI") that is measured at fair value at the end of each reporting period, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions that are accounted for in accordance with HKFRS 16 (since 1 January 2019) or HKAS 17 (before application of HKFRS 16), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

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

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

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

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 from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive expense are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive expense 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.

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

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

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interests in a joint venture

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of a joint venture are incorporated in the consolidated financial statements using the equity method of accounting. The financial statements of a joint venture used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, investment in a joint venture 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 joint venture. Changes in net assets of the joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of a joint venture exceeds the Group's interest in that joint venture, 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 that joint venture.

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in a joint venture, 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 Group assesses whether there is an objective evidence that the interest in a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 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 is not allocated to any asset, including goodwill, that 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 a joint venture of the Group, profits and losses resulting from the transactions with the joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the joint venture that are not related to the Group.

Property, plant and equipment

Property, plant and equipment including buildings held for supply of goods or services, or for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Ownership interests in leasehold land and building

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment (Continued)

Ownership interests in leasehold land and building (Continued)

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "right-of-use assets" (upon application of HKFRS 16) in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives, using the straight line method. The estimated useful lives, residual values 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.

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 the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised 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. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

Internally-generated intangible assets — research and development expenditure

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

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets (Continued)

Internally-generated intangible assets — research and development expenditure (Continued)

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment on property, plant and equipment, right-of-use assets and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets with finite useful lives 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 relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment, right-of-use assets, and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In addition, the Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of cash-generating units 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 (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment on property, plant and equipment, right-of-use assets and intangible assets (Continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) 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 a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability, and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points 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 financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income or expense is recognised on an effective interest basis for debt instruments.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

Financial assets 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 selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL"), except that at the date of initial application of HKFRS 9/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 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.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments/receivables subsequently measured at FVTOCI. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

(ii) Equity instruments designated at FVTOCI

Investment in equity instruments designated at FVTOCI is subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investment revaluation reserve; and is 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 from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, 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.

Impairment of financial assets

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

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-months 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 trade receivables, amount due from a joint venture and amount due from related companies in trade nature. The ECL on trade receivables are assessed individually for receivables with significant balances or being credit impaired and/or collectively using a provision matrix with appropriate groupings. Amounts due from related companies and joint ventures are assessed individually.

For all other instruments including other receivables, loan receivable, amount due from a joint venture, amount due from related companies, pledged bank deposit and bank balances, 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(i) 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; and
- 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.

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 regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full.

The Group considers that default has occurred when a financial asset 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) 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. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with HKAS 17 "Leases".

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(v) Measurement and recognition of ECL (Continued)

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- nature of financial instruments (i.e. the Group's trade and other receivables, loan receivable, amount due from a joint venture, amount due from related parties, pledged bank deposits and bank balances are each assessed as a separate group);
- past-due status;
- nature, size and industry of receivables; and
- external credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

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.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in equity instruments which the Group has elected on initial recognition to measure at FVTOCI upon application of HKFRS 9, the cumulative gain or loss previously accumulated in the investment revaluation reserve is not reclassified to profit or loss, but is transferred to accumulated losses.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (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. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities at amortised cost

Financial liabilities (including trade and other payables, amounts due to directors, amounts due to joint ventures and bank borrowings) are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Revenue from contracts with customers

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 or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

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.

A contract liability relating to the same contract is accounted for and presented on a net basis.

Warranties

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue from contracts with customers (Continued)

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 goods or services to be provided by the other party.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

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

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 before taxation because of items of income or expense that are taxable or deductible in other years and 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. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally 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 deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of 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 associated with investments in subsidiaries 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 are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period 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 realised, based on tax rates (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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxation entity by the same tax authority.

Current and deferred tax is recognised in profit or loss.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right- of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be use by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

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 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 recognised in profit or loss in the period in which they arise.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operation 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 expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of the translation reserve and will be reclassified from equity to profit or loss on disposal of the foreign operation.

Leases

Definition of a lease (upon application of HKFRS 16 in accordance with transitions in note 2)

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2)

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of leasehold land and buildings that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and adjusted for any remeasurement of lease liabilities. Right-of-use assets are depreciated on a straight line basis over the shorter of its estimated useful life and the lease term.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2) (Continued)
Right-of-use assets (Continued)
The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits
Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities
At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

Lease modifications
The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2) (Continued)

Lease modifications (Continued)

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group as lessee (prior of 1 January 2019)

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.

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

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Amounts due from lessees under finance leases are recognised as receivables at commencement date at amounts equal to net investments in the leases, measured using the interest rate implicit in the respective leases. Initial direct costs (other than those incurred by manufacturer or dealer lessors) are included in the initial measurement of the net investments in the leases. Interest income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in profit or loss on a straight line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight line basis over the lease term. Variable lease payments that do not depend on an index or a rate are recognised as income when they arise.

Leasing income which are derived from the Group's ordinary course of business are presented as revenue.

The Group as a lessor (upon application of HKFRS 16 in accordance with transitions in note 2)

Allocation of consideration to components of a contract

When a contract includes both leases and non-lease components, the Group applies HKFRS 15 to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Lease modification

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Retirement benefit costs

Payments to defined contribution retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries and annual leave) after deducting any amount already paid.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Determination on incremental borrowing rate of lease contracts

In determination on incremental borrowing rate, the Group applies judgement to determine the applicable rate to calculate the present value of lease payments. The incremental borrowing rate of the Group applies, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Critical judgements in applying accounting policies (Continued)

Revenue recognition from sale of electronic gaming equipment and systems at a point in time

Under HKFRS 15, control of the asset is transferred over time when 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. Significant judgment is required in determining whether the terms of the Group's contracts with customers in relation to create an enforceable right to payment for the Group. Based on the assessment of the management, the terms of the relevant sale contracts do not create an enforceable right to payment for the Group after taking into consideration indicators. Accordingly, the sale of electronic gaming machines with no alternative use is considered the performance obligation satisfied at a point in time.

Key sources of estimation uncertainty

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

Impairment assessment of the intangible asset and property, plant and equipment

Determining whether the intangible asset and property, plant and equipment are impaired requires an estimation of the recoverable amount of the Macau Patent CGU (as defined in note 16) to which these assets are allocated. The recoverable amount is based on the estimated value in use which is the aggregate of present value of estimated future cash flows. When the actual future cash flows are less than expected, a material impairment loss may arise. The Group believes that no provision for impairment has to be recognised for the years ended 31 December 2019 and 31 December 2018. The situation will be closely monitored, and adjustments will be made in future periods, should future market activity indicate that such adjustments are required. As at 31 December 2019, the carrying amounts of intangible asset and property, plant and equipment allocated to the Macau Patent CGU are HK$68,781,000 (2018: HK$80,919,000) and HK$56,018,000 (2018: HK$72,518,000), respectively.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Estimation of write-down amount of trading goods

Inventories are stated at the lower of cost and net realisable value. When the expectation of the net realisable value is less than the cost, write-down of inventories may arise. The management of the Group reviews regularly the suitability of the Group's write-down policy for trading goods and carries out review of the trading goods at the end of each reporting period. The management of the Group identifies slow-moving and obsolete trading goods with reference to an aged analysis and management's assessment of technical specification and determines the write-down amount for trading goods by considering the saleability of trading goods. As at 31 December 2019, the carrying amount of trading goods, after the write-down amount of HK$5,945,000 (2018: HK$4,961,000), was HK$34,736,000 (2018: HK$54,082,000).

Estimated useful lives of property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and identified impairment losses. The Group depreciates the property, plant and equipment over their estimated useful lives using straight line method commencing from the date of property, plant and equipment. The estimated useful lives reflect the management's estimate of the periods that the Group intend to derive future economic benefits from the use of the Group's property, plant and equipment. The estimation of useful lives impacts the level of annual depreciation expense recorded.

Provision of ECL for trade receivables

The Group uses provision matrix to calculate ECL for the trade receivables, except for trade receivables with significant balances or being credit impaired. The provision rates are based on internal credit ratings and nature of the receivable as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. Trade receivables with significant balances or being credit impaired are assessed for ECL individually.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in note 21.

5. REVENUE

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

	2019 HK$'000	2018 HK$'000
Casino management services:		
Provision of casino management services, recognised over time	**1,004,223**	1,066,939
Electronic gaming equipment and systems:		
Sale of electronic gaming equipment and systems, recognised at a point in time	**169,832**	88,696
Leasing of electronic gaming equipment and systems	**5,164**	5,902
Royalty income, recognised over time	**2,535**	2,670
	177,531	97,268
Total	**1,181,754**	1,164,207
Analysis of revenue:		
Recognised over time	**1,006,758**	1,069,609
Recognised at a point in time	**169,832**	88,696
Revenue recognition for revenue from contracts with customers	**1,176,590**	1,158,305
Leasing income	**5,164**	5,902
Total	**1,181,754**	1,164,207

Performance obligations for contracts with customers

Provision of casino management services

The Group provides management services to gaming operators in Macau under service arrangements for gaming operations in mass market hall and slot machine hall. Such services are recognised as a performance obligation satisfied over time as the Group is entitled to receive its service income according to the relevant operating performance from the gaming operators.

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

5. REVENUE (Continued)

Performance obligations for contracts with customers (Continued)

Sale of electronic gaming equipment and systems

The Group enters into contracts with customers (casino operators) for the sale of electronic gaming equipment and systems include multi-elements as follows:

(a) Procurement and delivery of electronic gaming equipment and systems;

(b) Assist in obtaining the local regulatory approval of the electronic gaming equipment and systems;

(c) On-site installation of the electronic gaming equipment and systems at the casino; and

(d) After sales warranty service from three months to one year.

The directors of the Company considered that these multi-elements are not separately identifiable components and therefore, the revenue on sale of electronic gaming equipment and systems is recognised as sale of goods when the goods are approved by the local regulatory authority, delivered and titles have been passed.

Royalty income

Royalty income is recognised on an accrual basis in accordance with the substance of the relevant agreement. Royalty arrangements that are based on sale and other measures are recognised by reference to the agreement for the placement of the relevant products.

6. SEGMENT INFORMATION

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

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

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.

6. SEGMENT INFORMATION (Continued)

Information regarding the above segments is reported below:

Segment revenue and results

For the year ended 31 December 2019

	Casino management services HK$'000	Gaming systems HK$'000	Unallocated HK$'000	Consolidated HK$'000
Segment revenue	1,004,223	177,531		1,181,754
Segment results	53,297	(6,036)		47,261
Unallocated corporate income				19
Unallocated corporate expenses				(35,708)
Finance costs				(3,421)
Share of losses of joint ventures				(2,149)
Profit before taxation				6,002
Taxation credit				4,558
Profit for the year				10,560
Other information				
Capital expenditure	10,098	102,632	1,460	114,190
Amortisation of intangible assets	12,138	—	—	12,138
Depreciation of property, plant and equipment	48,367	10,094	925	59,386
Depreciation of right-of-use assets	4,034	2,636	4,423	11,093
Write-down of inventories	—	5,945	—	5,945

6. SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

For the year ended 31 December 2018

	Casino management services HK$'000	Gaming systems HK$'000	Unallocated HK$'000	Consolidated HK$'000
Segment revenue	1,066,939	97,268		1,164,207
Segment results	138,345	(56,738)		81,607
Unallocated corporate income				8
Unallocated corporate expenses				(27,343)
Finance costs				(712)
Profit before taxation				53,560
Taxation charge				(403)
Profit for the year				53,157
Other information				
Capital expenditure	22,392	148,565	48	171,005
Amortisation of intangible assets	12,138	—	—	12,138
Depreciation of property, plant and equipment	50,101	6,870	1,113	58,084
Loss allowance on financial assets	—	258	—	258
Write-down of inventories	—	4,961	—	4,961

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.

Information about major customers

During the year, revenue derived from two (2018: two) customers, each of which contributed over 10% of the Group's revenue, is as follows:

	Customer A		**Customer B**	
	2019 HK$'000	2018 HK$'000	**2019 HK$'000**	2018 HK$'000
Casino management services segment	**692,695**	780,174	**311,528**	286,765
Gaming systems segment	**—**	438	**13,362**	—
Total	**692,695**	780,612	**324,890**	286,765

7. OTHER INCOME, GAINS AND LOSSES

	2019 HK$'000	2018 HK$'000
Bank interest income	**3,927**	3,004
Finance lease interest income	**—**	142
Loan interest income	**1,205**	1,248
	5,132	4,394
Loss on disposal of property, plant and equipment	**—**	(642)
Income from repair services	**1,671**	2,723
Rental income	**6,611**	6,559
Compensation from early termination of leasing agreement of electronic gaming equipment and systems by the lessee	**1,000**	—
Government subsidies	**1,801**	—
Loss on deregistration of a subsidiary	**(25)**	—
Gain on disposal of right-of-use assets	**15**	—
Sundry income	**2,681**	2,636
	18,886	15,670

8. FINANCE COSTS

	2019 HK$'000	2018 HK$'000
Interests on:		
— bank borrowings	**2,777**	712
— lease liabilities	**644**	—
	3,421	712

9. PROFIT BEFORE TAXATION

	2019 HK$'000	2018 HK$'000
Profit before taxation has been arrived at after charging:		
Directors' emoluments (note 10)	**26,446**	25,972
Other staff costs		
— Salaries and other benefits	**157,533**	143,598
— Retirement benefit scheme contributions	**2,703**	2,040
Total staff costs	**186,682**	171,610
Amortisation of intangible assets	**12,138**	12,138
Auditor's remuneration	**2,480**	2,380
Loss allowance on financial assets	**—**	258
Cost of inventories recognised as expenses	**47,169**	30,174
Depreciation of property, plant and equipment	**59,386**	58,084
Depreciation of right-of-use assets	**11,093**	—
Research and development expenditure (note)	**100,764**	67,388
Write-down of inventories	**5,945**	4,961

Note: Research and development expenditure for the year ended 31 December 2019 of HK$100,764,000 includes staff costs of HK$46,042,000, depreciation of property, plant and equipment of HK$1,174,000, depreciation of right-to-use assets of HK$2,522,000, short-term lease expenses of HK$336,000 and other expenses of HK$50,690,000.

Research and development expenditure for the year ended 31 December 2018 of HK$67,388,000 included staff costs of HK$34,007,000, depreciation of property, plant and equipment of HK$922,000, operating lease expenses of HK$2,349,000 and other expenses of HK$30,110,000.

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

The emoluments of the directors of the Company during the year are analysed as follows:

	Executive Directors			Independent non-executive directors			
	Mr. Jay Chun HK$'000	Mr. Shan Shiyong, alias, Sin Sai Yung HK$'000	Mr. Hu Liming HK$'000	Mr. Li John Zongyang HK$'000	Mr. Kai-Shing Tao HK$'000	Ms. Tang Kiu Sam Alice HK$'000	Total HK$'000
2019							
Fees	**—**	**—**	**—**	**240**	**240**	**240**	**720**
Salaries and other benefits	**12,136**	**12,000**	**240**	**—**	**—**	**—**	**24,376**
Accommodation benefits	**1,320**	**—**	**—**	**—**	**—**	**—**	**1,320**
Retirement benefit scheme contributions	**12**	**18**	**—**	**—**	**—**	**—**	**30**
	13,468	**12,018**	**240**	**240**	**240**	**240**	**26,446**
2018							
Fees	—	—	—	120	120	120	360
Salaries and other benefits	12,142	12,000	120	—	—	—	24,262
Accommodation benefits	1,320	—	—	—	—	—	1,320
Retirement benefit scheme contributions	12	18	—	—	—	—	30
	13,474	12,018	120	120	120	120	25,972

The Executive Directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group. The emoluments of independent non-executive directors shown above were for their services as directors of the Company.

No emoluments were recognised or paid by the Group to the directors as compensation for loss of office or as an inducement to join or upon joining the Group for both years. None of the director has waived any emoluments during both years.

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

The five highest paid individuals of the Group include two directors of the Company for both years, whose emoluments are disclosed above and the total emoluments of the remaining three individuals for both years were as follows:

	2019 HK$'000	2018 HK$'000
Salaries and other benefits	9,443	9,163
Retirement benefit scheme contributions	81	24
	9,524	9,187

	Number of individuals 2019	 2018
Emoluments of the remaining three employees were within the following bands:		
HK$1,500,001 – HK$2,000,000	1	1
HK$3,000,001 – HK$3,500,000	1	1
HK$4,500,001 – HK$5,000,000	1	1

No emoluments were recognised or paid by the Group to the five highest paid individuals (including directors and employees) as compensation for loss of office or as an inducement to join or upon joining the Group for both years.

11. TAXATION CREDIT (CHARGE)

	2019 HK$'000	2018 HK$'000
Macau Complementary Tax		
— current year	(1,000)	—
— reversal of tax provision in prior years	6,000	—
	5,000	—
Lum Sum Dividend Tax	(378)	(378)
PRC Enterprise Income Tax — current year	(64)	(25)
Taxation credit (charge)	4,558	(403)

11. TAXATION CREDIT (CHARGE) (Continued)

There is no provision for Hong Kong Profits Tax is made in the consolidated financial statements as the Group did not generate any assessable profit in Hong Kong for both years.

Macau Complementary Tax ("Macau CT") is calculated at 12% of the estimated assessable profit for the current year. There is no provision for Macau CT is made in the consolidated financial statements as the Group did not generate any assessable profit for the year ended 31 December 2018.

Pursuant to the Macau CT law, the Macau CT assessment on the estimated assessable profit in a year of assessment will lapse in five consecutive years after that year of assessment. At 31 December 2019, the directors of the Company reassessed the adequacy of the Macau CT provision and determined to reverse part of the Group's relevant Macau CT provision of HK$6,000,000 (2018: nil).

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 31 December 2017 to 2019 and the three months ending 31 March 2020, 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 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 and Casino Lisboa. 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 year ended 31 December 2019, provision for taxation of HK$378,000 (2018: HK$378,000) has been recognised which was charged to the consolidated statement of profit or loss.

PRC Enterprise Income Tax for operating subsidiaries established in the PRC is calculated at the PRC Enterprise Income Tax rate of 25% prevailing in the PRC on the assessable profit for the current year. 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.

11. TAXATION CREDIT (CHARGE) (Continued)

The taxation credit (charge) for the year can be reconciled to the profit before taxation per consolidated statement of profit or loss and other comprehensive income as follows:

	2019 HK$'000	2018 HK$'000
Profit before taxation	**6,002**	53,560
Tax charge at the Macau CT rate of 12%	**(720)**	(6,427)
Tax effect of expenses not deductible for tax purposes	**(78,096)**	(23,678)
Tax effect of income not taxable for tax purposes	**89,842**	30,462
Tax effect of tax losses not recognised	**(12,824)**	(1,199)
Utilisation of tax losses previously not recognised	**768**	831
Effect of reversal of tax provision in respect of prior years	**6,000**	—
Lump sum dividend tax	**(378)**	(378)
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	**(34)**	(14)
Taxation credit (charge) for the year	**4,558**	(403)

At 31 December 2019, the Group had unused tax losses of approximately HK$107,909,000 (2018: HK$95,494,000) available to offset against future taxable profits which may be carried forwards indefinitely except for HK$25,896,000 (2018: HK$26,596,000) which derived from Macau and will expire in three years from the year of assessment. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future taxable profit streams.

12. DIVIDEND

	2019 HK$'000	2018 HK$'000
Dividend for ordinary shareholders of the Group recognised as distribution during the year:		
Final dividend per ordinary share paid — HK2.5 cents for 2018 (final dividend for 2017: nil)	**26,305**	—

During the year ended 31 December 2019, a final dividend in respect of the year ended 31 December 2018 of HK2.5 cents per share in an aggregate amount of HK$26,305,000 has been proposed and paid. There is no dividend proposed by the directors of the Company subsequent to the end of the reporting period.

13. EARNINGS PER SHARE

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

	2019	2018
	HK$'000	HK$'000
Earnings		
Profit for the year attributable to owners of the Company for the purpose of calculating basic earnings per share	**926**	58,224

	2019	2018
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**1,052,185**	1,052,185

For the years ended 31 December 2019 and 31 December 2018, no diluted earnings per share were presented as there were no dilutive potential ordinary shares.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST						
At 1 January 2018	—	204,035	278,309	42,747	10,462	535,553
Currency realignment	—	(41)	—	(173)	—	(214)
Additions	134,003	10,741	21,909	2,710	1,642	171,005
Disposals	—	(16,434)	(4,700)	(14)	—	(21,148)
At 31 December 2018	134,003	198,301	295,518	45,270	12,104	685,196
Currency realignment	—	(30)	(7)	(70)	(1)	(108)
Additions	94,549	5,395	9,603	3,330	1,314	114,191
Transfer from inventories	—	—	9,030	—	—	9,030
Transfer to inventories	—	—	(2,773)	—	—	(2,773)
Disposals	—	—	—	(354)	—	(354)
At 31 December 2019	228,552	203,666	311,371	48,176	13,417	805,182
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
At 1 January 2018	—	156,363	208,076	32,351	3,843	400,633
Currency realignment	—	(33)	—	(107)	—	(140)
Provided for the year	1,072	19,470	31,241	4,399	1,902	58,084
Eliminated on disposal	—	(16,434)	(3,873)	(12)	—	(20,319)
At 31 December 2018	1,072	159,366	235,444	36,631	5,745	438,258
Currency realignment	—	(12)	(1)	(37)	(1)	(51)
Provided for the year	5,327	21,248	26,818	4,083	1,910	59,386
Eliminated on transfer to inventories	—	—	(2,614)	—	—	(2,614)
Eliminated on disposal	—	—	—	(190)	—	(190)
At 31 December 2019	6,399	180,602	259,647	40,487	7,654	494,789
CARRYING AMOUNTS						
At 31 December 2019	222,153	23,064	51,724	7,689	5,763	310,393
At 31 December 2018	132,931	38,935	60,074	8,639	6,359	246,938

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

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

Leasehold land and buildings	Over the shorter term of the lease, or 50 years
Leasehold improvements	20% or over the remaining terms of the leases if shorter
Plant and machinery	10%–20%
Furniture, fixtures and equipment	15%–20%
Motor vehicles	20%

At the end of the reporting period, the Group assessed certain property, plant and equipment with net carrying amount of HK$56,018,000 (2018: HK$72,518,000), allocated to the Macau Patent CGU, for impairment having regard to the market conditions in Macau. The details of the determination of the recoverable amounts of the assets allocated to the Macau Patent CGU are disclosed in note 16. No impairment loss was recognised on property, plant and equipment for the years ended 31 December 2019 and 31 December 2018.

15. RIGHT-OF-USE ASSETS

	Leasehold land and buildings HK$'000	**Motor vehicles** HK$'000	**Total** HK$'000
COST			
At 1 January 2019	21,614	536	22,150
Currency realignment	(66)	—	(66)
Additions	7,946	—	7,946
Disposals	(794)	(268)	(1,062)
At 31 December 2019	28,700	268	28,968
DEPRECIATION			
At 1 January 2019	—	—	—
Currency realignment	(22)	—	(22)
Provided for the year	10,905	188	11,093
Eliminated on disposal	(116)	(80)	(196)
At 31 December 2019	10,767	108	10,875
CARRYING AMOUNTS			
At 31 December 2019	17,933	160	18,093

For the year ended 31 December 2019	
Expense relating to short-term leases and other leases with lease terms end within 12 months of the date of initial application of HKFRS 16	50,380
Variable lease payments not included in the measurement of lease liabilities	30,748
Total cash outflow for leases	92,754

15. RIGHT-OF-USE ASSETS (Continued)

For both years, the Group leases leasehold land and buildings and motor vehicles for its operations. Lease contracts are entered into for fixed terms of 2 years to 4 years.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

In addition, the Group is the registered owner of certain property interests in Macau, including the underlying leasehold lands. Lump sum payments were made upfront to acquire these property interests. The leasehold land components of these owned properties are not presented separately as the payments made cannot be allocated reliably.

16. INTANGIBLE ASSETS

	Macau Patent-Betting terminal system HK$'000	U.S. Patent-Betting terminal system HK$'000	Total HK$'000
COST			
At 1 January 2018, 31 December 2018 and 31 December 2019	182,066	657,535	839,601
ACCUMULATED AMORTISATION AND IMPAIRMENT			
At 1 January 2018	89,009	657,535	746,544
Provided for the year	12,138	—	12,138
At 31 December 2018	101,147	657,535	758,682
Provided for the year	12,138	—	12,138
At 31 December 2019	113,285	657,535	770,820
CARRYING AMOUNTS			
At 31 December 2019	68,781	—	68,781
At 31 December 2018	80,919	—	80,919

16. INTANGIBLE ASSETS (Continued)

The Macau patent pertains to a computerised gaming system (the "Gaming System") for operating multi-gambling games. The Gaming System was installed on the electronic gaming equipment which operates in Casino Kam Pek Paradise, Casino Waldo and other casinos in Macau. The Group generates revenue from the provision of casino management services with the Gaming System installed on the electronic gaming equipment, and the sale and leasing of electronic gaming equipment installed with the Gaming 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 assessed for impairment by considering the recoverable amount of the patent as well as certain property, plant and equipment, allocated to the Macau Patent CGU, having regard to the market conditions in Macau. The recoverable amount of the Macau Patent CGU is the value in use of the Macau Patent CGU based on the present value of estimated future cash flows to be generated over the remaining license period and with reference to the valuation report prepared by an independent professional valuer, International Valuation Limited, which was approved by the directors of the Company. The valuation of intangible asset and property, plant and equipment in relation to patent is assessed by comparing the recoverable amount of the Macau Patent CGU to their carrying amounts at the end of each reporting period. No impairment loss was recognised on the intangible asset allocated to the Macau Patent CGU for the years ended 31 December 2019 and 31 December 2018.

Key assumptions adopted by management in the value in use calculation for the recoverable amount of the Macau Patent CGU are as follows:

- Growth rates of revenue and costs ranging from 0% to 5.00% (2018: ranging from 2.50% to 3.00%) per annum are applied in the profit or loss projection for the remaining license period.

- Pre-tax discount rate of 15.90% (2018: 15.60%) is adopted based on the analysis performed by an independent professional valuer which reflects current market assessments of the time value of money and the risks specific to the Macau Patent CGU.

17. INTERESTS IN JOINT VENTURES

During the year, the Group acquired 50% equity interests in Tong Sin Catering And Import & Export Group Company Limited and its subsidiary and Bigger A Import And Export Trade Limited for a total consideration of MOP25,000 (equivalent to HK$24,000). The joint ventures are principally engaged in the business of importing, exporting and sales of frozen food products and packaged meats.

As at 31 December 2019, amounts due from joint ventures of HK$5,665,000 are considered part of the long-term interest that, in substance, form part of the Group's investment in the joint ventures. The amounts due from joint ventures are unsecured, interest-free, and have no fixed terms of repayment.

Details of the Group's investments in joint ventures at 31 December 2019 are as follows:

	HK$'000
Cost of investment in joint ventures	24
Share of post-acquisition losses	(2,149)
Amounts due from joint ventures	5,665
	3,540

Details of each of the Group's joint ventures at 31 December 2019 are as follows:

Name of entity	Country of incorporation/ registration	Principal place of business	Proportion of ownership interests and voting rights held by the Group	Principal activity
Tong Sin Catering And Import & Export Group Company Limited	Macau	Macau	50%	Business of importing, exporting and sales of frozen food products and packaged meats
Bigger A Import And Export Trade Limited	Macau	Macau	50%	Business of importing, exporting and sales of frozen food products and packaged meats

In the opinion of the directors of the Company, the joint ventures are not material to the Group and no disclosure of their financial information is considered necessary.

18. 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 directors of the Company estimated the fair value of the equity securities with reference to their quoted bid price in an active market at the end of the reporting period.

19. OTHER ASSETS

	2019	2018
	HK$'000	HK$'000
Deposits paid for acquisitions of property, plant and equipment	**3,059**	1,234
Rental deposits	**2,847**	3,129
	5,906	4,363

20. INVENTORIES

	2019	2018
	HK$'000	HK$'000
Consumables	**26,809**	24,916
Trading goods	**34,736**	54,082
	61,545	78,998

21. TRADE AND OTHER RECEIVABLES

	2019 HK$'000	2018 HK$'000
Trade receivables (note i)	**57,608**	72,738
Less: loss allowance	**–**	(287)
	57,608	72,451
Chips on hand (note ii)	**33,244**	29,354
Deposits paid	**44,333**	45,176
Loan receivable (note iii)	**14,040**	15,600
Other receivables and prepayments (note iii)	**14,635**	13,618
	163,860	176,199

Notes:

(i) As at 31 December 2019, 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.

As at 31 December 2019, trade receivables (net of loss allowance) of HK$57,608,000 (31 December 2018: HK$72,451,000) comprised receivables from contracts with customers and lease receivables of HK$57,155,000 (2018: HK$72,120,000) and HK$453,000 (2018: HK$331,000), respectively.

Before accepting any new customer, the Group gathers and assesses the credit information of the potential customer in considering the customer's quality and determining the credit limits for that customer. Recoverability and credit limits of the existing customers are reviewed by the Group regularly. At the end of the reporting period, included in the Group's trade receivable balances are receivables with aggregate carrying amount of HK$55,913,000 (2018: HK$69,739,000), which are neither past due nor impaired. The directors of the Company considered that trade receivables which are neither past due nor impaired are of good credit quality given the continuous subsequent settlements from gaming operators and other customers.

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

As at 31 December 2019, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$1,695,000 (2018: HK$2,712,000) which are past due as at the reporting date. Out of the past due balances, HK$339,000 (2018: HK$1,859,000) has been past due 90 days or more and is not considered as in default based on historical repayment pattern from the specific debtors. The Group does not hold any collateral over these balances.

As at 31 December 2019, 97.1% (2018: 96.3%) of the trade receivables that are neither past due nor impaired have the best credit scoring attributable under the internal credit scoring system used by the Group.

21. TRADE AND OTHER RECEIVABLES (Continued)

Notes: (Continued)

(i) (Continued)

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

	2019	2018
	HK$'000	HK$'000
Age:		
0–30 days	**55,913**	69,812
31–60 days	**233**	524
61–90 days	**915**	126
91–180 days	**532**	159
181–365 days	**15**	1,830
	57,608	72,451

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

	2019	2018
	HK$'000	HK$'000
Overdue by:		
1–30 days	**233**	597
31–60 days	**915**	250
61–90 days	**208**	6
91–180 days	**324**	1,817
181–365 days	**15**	42
	1,695	2,712

At 1 January 2018 and 31 December 2018, the loss allowance represented individually impaired trade receivables with gross aggregate balance of HK$287,000. The allowance for credit loss represents lifetime ECL recognised for trade receivables under simplified approach. There is no movement in lifetime ECL that has been recognised for the trade receivables.

(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 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. As at 31 December 2019, the loan principal of HK$14,040,000 (2018: HK$15,600,000) 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 subsequent amendments to the loan agreement (collectively referred to as the "Loan Agreements"), the maturity date of the loan principal and accrued interest thereon is 5 October 2020. At 31 December 2019, an amount of HK$402,000 (2018: HK$2,797,000) was included in other receivables and prepayments in respect of the interest receivable pursuant to the Loan Agreements.

Details of impairment assessment of trade and other receivables for the year ended 31 December 2019 are set out in note 37.

22. AMOUNT DUE FROM A JOINT VENTURE/AMOUNTS DUE TO JOINT VENTURES

The amount due from a joint venture is non-trade in nature, unsecured, non-interest bearing and repayable on demand.

The amounts due to joint ventures are trade in nature, unsecured and non-interest bearing. The amounts are aged within 0 to 30 days based on invoice date.

23. AMOUNTS DUE FROM RELATED COMPANIES/AMOUNTS DUE TO DIRECTORS

	As at 1 January	As at 31 December		Maximum amount outstanding during the year ended	
	2018	**2019**	2018	**2019**	2018
	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Empire Technological Group Limited (note)	583	**512**	901	**2,390**	901
LT Game International Pty Limited (note)	—	**628**	—	**628**	—
	583	**1,140**	901		

Note: These companies are wholly-owned by the brother-in-law of Mr. Jay Chun, an executive director of the Company.

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

The amounts due to directors represent amount of HK$1,086,000 (2018: HK$1,036,000) payable to Mr. Jay Chun, an executive director of the Company, amount of HK$943,000 (2018: HK$943,000) payable to Mr. Shan Shiyong, an executive director of the Company, and amounts in aggregate of HK$80,000 (2018: HK$260,000) payable to other directors of the Company. The amounts are unsecured, interest-free and repayable on demand.

24. PLEDGED BANK DEPOSIT

The amount represents a bank deposit pledged to a bank to secure a bank facility granted by the bank 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.

Pledge bank deposit carries fixed interest rate at 2.9% (2018: 2.0%) per annum.

25. BANK BALANCES AND CASH

Bank balances carry interest at market rates which ranged from 0.01% to 2.75% (2018: 0.01% to 3.10%) per annum.

26. TRADE AND OTHER PAYABLES

	2019	2018
	HK$'000	HK$'000
Trade payables	**17,564**	21,426
Accrued staff costs	**52,934**	29,213
Accrued promotional expenses	**25,967**	32,802
Contract liabilities	**9,846**	44,878
Deposits received	**1,335**	1,086
Other sundry payables	**12,612**	15,552
Other accrued expenses	**6,900**	6,535
	127,158	151,492

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

	2019	2018
	HK$'000	HK$'000
Age		
0–30 days	**14,339**	14,672
31–60 days	**1,717**	5,665
61–90 days	**459**	250
91–365 days	**612**	839
Over 365 days	**437**	—
	17,564	21,426

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

Deposits received from customers in relation to the sale of electronic gaming equipment and systems result in contract liabilities being recognised until the goods approved by the local regulatory authority are delivered and titles have been passed. Such deposits are expected to be recognised as revenue within one year from date of receipt.

26. TRADE AND OTHER PAYABLES (Continued)

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

	Liabilities in relation to deposits received from customers	
	2019	2018
	HK$'000	HK$'000
Balance at 1 January	**44,878**	28,772
Balance at 31 December	**9,846**	44,878
(Decrease) increase	**(35,032)**	16,106

27. BANK BORROWINGS

	2019	2018
	HK$'000	HK$'000
Bank borrowings	**145,831**	89,046
The bank borrowings are repayable as follows*:		
Within one year	**8,776**	5,048
Within a period of more than one year but not exceeding two years	**8,992**	5,176
Within a period of more than two years but not exceeding five years	**28,323**	16,335
Within a period of more than five years	**99,740**	62,487
	145,831	89,046
Less: Amounts due within one year shown under current liabilities	**(8,776)**	(5,048)
Amounts due after one year shown under non-current liabilities	**137,055**	83,998

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

At 31 December 2019, the bank borrowings carried interest at the Lending Prime Rate as quoted by the lending bank from time to time minus 2.85% (2018: 2.85%) per annum. The effective interest rate of the bank borrowings was 2.40% (2018: 2.53%) per annum.

At 31 December 2019, the bank borrowings of HK$145,831,000 (2018: HK$89,046,000) were secured by mortgages over the Group's leasehold land and buildings with an aggregate carrying amount of HK$222,153,000 (2018: HK$132,931,000). The bank borrowings are denominated in MOP and HK$.

28. LEASE LIABILITIES

	2019 HK$'000
Lease liabilities payable:	
Within one year	**10,659**
Within a period of more than one year but not more than two years	**7,812**
Within a period of more than two years but not more than five years	**82**
	18,553
Less: Amount due for settlement with 12 months shown under current liabilities	**(10,659)**
Amount due for settlement after 12 months shown under non-current liabilities	**7,894**

Restrictions or covenants on leases

Lease liabilities of HK$18,553,000 are recognised with related right-of-use assets of HK$18,093,000 as at 31 December 2019. The lease agreements do not impose any covenants other than the security interests in the leased assets (where applicable) that are held by the lessor. The related leased assets may not be used as security for borrowing purposes.

As at 31 December 2019, the amounts are secured by rental deposits with carrying values of HK$2,695,000.

29. SHARE CAPITAL

	Number of shares '000	Share capital HK$'000
Ordinary shares of HK$0.001 each		
Authorised:		
At 1 January 2018, 31 December 2018 and 31 December 2019	1,000,000,000	1,000,000
Issued and fully paid:		
At 1 January 2018, 31 December 2018 and 31 December 2019	1,052,185	1,052

30. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2019, property, plant and equipment of HK$93,000 (2018: HK$5,091,000) were settled by utilising deposits paid for acquisitions of property, plant and equipment.

During the year ended 31 December 2019, property, plant and equipment of HK$9,030,000 were transferred from inventories.

During the year ended 31 December 2019, an interim dividend was declared by a non-wholly owned subsidiary of the Company and the non-controlling shareholder of the subsidiary assigned its dividend entitled amounting to HK$3,600,000 to LT Japan for partial settlement of the interest payable of LT Japan to the Group under the loan mentioned in note 21(iii).

31. PLEDGE OF ASSETS

At 31 December 2019, the Group's leasehold land and buildings and bank deposit with carrying amounts of HK$222,153,000 (2018: HK$132,931,000) and HK$28,800,000 (2018: HK$28,800,000) as set out in notes 14 and 24, respectively, were pledged to banks to secure for certain facilities granted by the banks to the Group.

32. OPERATING LEASES

The Group as lessee

	2018 HK$'000
Minimum operating lease rentals in respect of rented premises recognised during the year	37,340

At 31 December 2018, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises and other assets, which fell due as follows:

	2018 HK$'000
Within one year	35,575
In the second to fifth year inclusive	13,672
	49,247

Operating lease payments represented rentals payable by the Group for a director's quarters, certain of its warehouse facilities and office premises. Leases of rented premises were negotiated for terms ranging from one to six years as at 31 December 2018.

33. CAPITAL COMMITMENTS

	2019 **HK$'000**	2018 HK$'000
Capital expenditure in respect of property, plant and equipment contracted for but not provided in the consolidated financial statements	**1,059**	1,062

34. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Other than 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.

Investment in equity instruments designated at FVTOCI in respect of listed equity securities 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 reporting periods.

34. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

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.

35. RETIREMENT BENEFIT SCHEMES

The Group contributes to 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 the independent trustees. The Group and each employee make mandatory contributions of 5% of relevant payroll costs with monthly cap of HK$1,500 to the scheme.

The employees of the Group in Macau are members of state-managed retirement benefit scheme operated by the Macau government. The Group is required to contribute a certain percentage of its payroll to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the required contributions under the scheme.

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

36. 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 and equity of the Company, comprising issued share capital disclosed in note 29 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 new borrowings. The Group's approach to capital management remains unchanged throughout the year.

37. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2019 **HK$'000**	2018 HK$'000
Financial assets		
Financial assets at amortised cost	**426,759**	458,501
Investment in equity instruments designated at FVTOCI	**1,366**	1,428
	428,125	459,929
Financial liabilities		
Amortised cost	**179,635**	129,349

37. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies

The Group's major financial instruments are listed in above table. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (foreign currency risk, price 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 on a timely and effective manner.

Market risk

Foreign currency risk

Foreign currency risk refers to the risk that movement in foreign currency exchange rates will affect the Group's financial results and its cash flows. Several subsidiaries of the Company have foreign currency sales and purchases, but the management considers the amount of foreign currency sales and purchases to be insignificant. The management considers that the Group is not exposed to significant foreign currency risk in relation to transactions denominated in MOP and US$ as MOP and US$ are pegged to HK$.

The Group has certain bank balances which are denominated in Renminbi ("RMB") (being currency other than the functional currency of the relevant group entities) amounting to HK$232,000 (2018: HK$123,000). The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The following details the Group's sensitivity to a reasonably possible change of 5.0% (2018: 5.0%) in exchange rate of RMB against HK$, while all other variables are held constant. 5.0% (2018: 5.0%) is the sensitivity rate used when reporting foreign currency risk internally to the key management personnel and represents the management's assessment of the reasonably possible change in foreign currency rate. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5.0% (2018: 5.0%) change in foreign currency rate. For a 5.0% (2018: 5.0%) strengthening in RMB against HK$, the Group's profit for the year would be increased by HK$5,000 (2018: HK$40,000). If RMB had been weakened against HK$ in an opposite magnitude and all other variables were held constant, the potential effect on the results would be equal and opposite.

In the opinion of the directors of the Company, the sensitivity analysis is unrepresentative of inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

Price risk management

The Group is exposed to equity price risk on the investment in equity securities operating in trading business and quoted on the Tokyo Stock Exchange and bank borrowings. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of MOP Lending Prime Rate arising from the Group's MOP denominated bank borrowings. The Group currently does not have a policy to hedge such risk. For investment in equity instruments designated at FVTOCI, the management monitors market price exposure and will consider hedging significant market price exposure should the need arise.

37. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

Price risk management (Continued)

The sensitivity analysis below have been determined based on the exposure to equity price risk on the listed equity securities in investment in equity instruments designated at FVTOCI at the end of the reporting period. If the market bid price on such listed equity securities had been 10% (2018: 10%) higher and all other variables were held constant, the potential effect on investment revaluation reserve is as follows:

	2019 **HK$'000**	2018 HK$'000
Increase in investment revaluation reserve		
— Listed equity securities in investment in equity instruments designated at FVTOCI	**137**	143

If the market bid price on such listed equity securities had been lower in an opposite magnitude and all other variables were held constant, the potential effect on the results would be equal and opposite.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate loan receivable, pledged bank deposit and bank balances. The Group is also exposed to cash flow interest rate risk in relation to its variable-rate bank balances and bank borrowings. The Group currently does not have policy on cash flow hedges of interest rate risk. However, the management monitors the interest rate exposure and will consider hedging significant interest rate risk should the need arise.

Interest expenses on financial liabilities not measured at FVTPL:

	2019 **HK$'000**	2018 HK$'000
Financial liabilities at amortised cost	**3,421**	712

The Group's sensitivity to cash flow interest rate risk has been determined based on the exposure to interest rates for those variable-rate bank balances and bank borrowings at the end of the reporting period and management's assessment of the reasonably possible change in the interest rate assuming that it took place at the beginning of each year and was held constant throughout the respective year.

If interest rates had been 50 basis points (2018: 50 basis points) higher and all other variables held constant, the potential effect on profit for the year:

	2019 **HK$'000**	2018 HK$'000
Increase (decrease) in profit for the year		
— Variable-rate bank balances	**706**	634
— Variable-rate bank borrowings	**(729)**	(445)
	(23)	189

37. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

Interest rate risk (Continued)

If interest rates had been lower in an opposite magnitude and all other variables were held constant, the potential effect on the results would be equal and opposite.

Credit risk and impairment assessment

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at 31 December 2019 and 2018 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position.

Trade receivables arising from contracts with customers

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed twice a year. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In addition, Group performs impairment assessment under ECL model on trade balances individually or based on provision matrix. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has concentration of credit risk as 75% (2018: 79%) and 98% (2018: 98%) of the total trade receivables which were due from the Group's largest customer and the five largest customers, respectively. The directors of the Company consider that there is no significant credit risk on the trade receivables from the five largest customers given their strong financial background and good creditability. The remaining trade receivables balances are spread over a number of customers.

Pledged bank deposit/bank balances

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 good reputation.

Loan receivable

For the loan receivable from LT Japan of HK$14,040,000 (2018: HK$15,600,000), 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.

Other receivables/amounts due from related companies/amount due from a joint venture

For other receivables including chips on hand, amounts due from related companies and amount due from a joint venture, 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.

37. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

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.

As at 31 December 2019, based on the existing levels of bank balances, the Group will be able to meet its future cash flow requirements. Accordingly, the management considers that the Group's liquidity risk is minimal.

The following table details the Group's remaining contractual maturity for its financial liabilities that will result in cash outflow. 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 principal cash flows.

Liquidity and interest risk tables

	Weighted average effective interest rate	Less than 1 month or repayable on demand	1–3 months	3 months to 1 year	1–5 years	Over 5 years	Total undiscounted cash flows	Total carrying amount
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2019								
Trade and other payables	N/A	**31,511**	**—**	**—**	**—**	**—**	**31,511**	**31,511**
Amounts due to directors	N/A	**2,109**	**—**	**—**	**—**	**—**	**2,109**	**2,109**
Amounts due to joint ventures	N/A	**184**	**—**	**—**	**—**	**—**	**184**	**184**
Bank borrowings	2.40	**1,019**	**2,038**	**9,170**	**48,910**	**111,334**	**172,471**	**145,831**
Lease liabilities	2.86	**1,073**	**1,893**	**8,075**	**7,994**	**—**	**19,035**	**18,553**
		35,896	**3,931**	**17,245**	**56,904**	**111,334**	**225,310**	**198,188**
2018								
Trade and other payables	N/A	38,064	—	—	—	—	38,064	38,064
Amounts due to directors	N/A	2,239	—	—	—	—	2,239	2,239
Bank borrowing	2.53	—	1,809	5,428	28,950	70,558	106,745	89,046
		40,303	1,809	5,428	28,950	70,558	147,048	129,349

(c) Fair value

Other than 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.

Investment in equity instruments designated at FVTOCI in respect of listed equity securities are determined by reference to the quoted bid prices in an active market.

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.

37. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value (Continued)

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

Financial assets	Fair value as at 31 December 2019 HK$'000	2018 HK$'000	Fair value hierarchy	Valuation techniques and key input
Investment in equity instruments designated at FVTOCI				
— Listed equity securities	**1,366**	1,428	Level 1	Quoted bid prices in an active market

There were no transfers into or out of Level 1 during both years.

38. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Lease liabilities HK$'000	Amounts due to directors HK$'000 (note 23)	Dividend payable HK$'000	Bank borrowings HK$'000 (note 27)	Interest payables HK$'000 (Note)	Total HK$'000
At 1 January 2018	—	2,973	—	—	—	2,973
Net financing cash flows	—	(734)	—	89,046	(644)	87,668
Interest expenses	—	—	—	—	712	712
At 31 December 2018	—	2,239	—	89,046	68	91,353
Net financing cash flows	(10,982)	(130)	(26,305)	56,785	(3,019)	16,349
Dividend declared (note 12)	—	—	26,305	—	—	26,305
Interest expenses	321	—	—	—	3,100	3,421
New leases entered	29,214	—	—	—	—	29,214
At 31 December 2019	18,553	2,109	—	145,831	149	166,642

Note: The amount is included in trade and other payables as set out in note 26.

39. RELATED PARTY TRANSACTIONS

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

	2019 HK$'000	2018 HK$'000
Sale of electronic gaming equipment and systems (note i)	**1,873**	1,054
Consultancy fee (note ii)	**475**	450
Staff costs (note iii)	**4,705**	4,631
Purchase of frozen food and products (note iv)	**398**	—

Notes:

(i) The related parties are companies wholly-owned by the brother-in-law of Mr. Jay Chun, an Executive Director. These transactions constitute continuing connected transactions for the purpose of Chapter 14A of the Listing Rules. Details of these continuing connected transactions, which are subject to the reporting requirements set out in Chapter 14A of the Listing Rules, have been disclosed under the section "Connected Transactions" in the directors' report of this annual report.

(ii) The related party is the brother-in-law of Mr. Jay Chun, an Executive Director.

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

(iv) The related party is a joint venture of the Group. The transactions were charged at pre-determined amounts agreed between the parties involved.

Key management personnel compensation represents the amounts paid to the directors of the Company, details of which are set out in note 10.

40. FINANCIAL INFORMATION OF THE COMPANY

The financial information of the Company as at 31 December 2019 and 31 December 2018 is as follows:

	2019	2018
	HK$'000	HK$'000
Non-current asset		
Interests in subsidiaries	**543,099**	575,401
Current assets		
Prepayment and deposits	**363**	383
Bank balances and cash	**184**	136
	547	519
Current liabilities		
Other payables	**2,502**	2,278
Amounts due to directors	**198**	378
	2,700	2,656
Net current liabilities	**(2,153)**	(2,137)
Net assets	**540,946**	573,264
Capital and reserves		
Share capital	**1,052**	1,052
Reserves	**539,894**	572,212
	540,946	573,264

40. FINANCIAL INFORMATION OF THE COMPANY (Continued)

Movement in reserves:

	Contributed surplus HK$'000 (note)	Accumulated losses HK$'000	Total HK$'000
At 1 January 2018	1,068,388	(491,006)	577,382
Loss and total comprehensive expense for the year	—	(5,170)	(5,170)
At 31 December 2018	**1,068,388**	**(496,176)**	**572,212**
Loss and total comprehensive expense for the year	**—**	**(6,013)**	**(6,013)**
Dividend paid (note 12)	**(26,305)**	**—**	**(26,305)**
At 31 December 2019	**1,042,083**	**(502,189)**	**539,894**

Note: The contributed surplus represents the aggregate of: (i) the difference between the nominal amount of the share capital issued by the Company and the aggregate of the nominal amounts 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; (iii) the effect of the reduction of share premium took place in 2017; and (iv) the effect of dividend for the year ended 31 December 2018 paid in 2019.

41. EVENTS AFTER REPORTING PERIOD

Due to an outbreak of a respiratory illness caused by a novel coronavirus, on 4 February 2020, as part of the measures to curb the spread of the coronavirus disease in Macau, the Macau government announced the suspension of operations of all casinos in Macau for at least 15 days from 5 February 2020. Operations at Casino Kam Pek Paradise were suspended on 5 February 2020 and were resumed on 20 February 2020 while operations at Casino Waldo were suspended on 5 February 2020 and were resumed on 24 February 2020. The duration and intensity of this global health emergency and related disruptions is uncertain, including potential broader impacts outside of the Mainland China if travel and visitation continues to be restricted and there is a resulting decline in Chinese tourist spending in Macau. Given the dynamic nature of these circumstances, the related impact on the Group's operating segments in Macau and our consolidated results of operations, cash flows and financial condition will be material but cannot be reasonably estimated at this time.

The service contract for the Group's provision of casino management services in Casino Waldo expired on 29 February 2020 ("Date of Expiry"). The Group did not request for renewal or extension of the service contract and accordingly, the Group has ceased to provide casino management services in Casino Waldo since 1 March 2020. Up to the date of approval of the Group's consolidated financial statements for the year ended 31 December 2019, the Group is in the progress of finalisation of the accounts relating to the provision of casino management services in the casino drawn up to the Date of Expiry and also in the progress of negotiation with relevant parties for confirming and agreeing the treatment and related consideration of, and other handover matters for the gaming machines, equipment, systems and other assets which were placed by the Group in the casino. As such, financial impact arising from Group's cessation of provision of casino management services in Casino Waldo on the Group's results, cash flows and financial condition could not be reasonably estimated at this time.

Other than as disclosed above, there is no other event after the reporting period which is required to be disclosed.

42. PARTICULARS OF SUBSIDIARIES

(a) General information of subsidiaries

Particulars of the principal subsidiaries of the Company as at 31 December 2019 and 31 December 2018 are as follows:

Name of subsidiary	Place of incorporation/ operation	Nominal value of issued ordinary share/registered capital	Class of share	The Group's attributable equity interest 2019 %	2018 %	Principal activities
Century Force Limited	Macau/Macau	MOP25,000	Ordinary	**100**	100	Properties holding
Fairy Host Limited	BVI/Macau	US$1	Ordinary	**82**	82	Investment holding
Fresh Idea Global Limited	BVI/Hong Kong	US$1	Ordinary	**100**	100	Investment holding
Grand Step Limited	Macau/Macau	MOP25,000	Ordinary	**100**	100	Properties holding
LifeTec (Holdings) Limited	BVI/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 service
LT (Macau) Limited	Macau/Macau	MOP1,000,000	Ordinary	**100**	100	Provision of casino management services and operation of electronic gaming equipment and systems
LT Capital Limited	BVI/Hong Kong	US$1	Ordinary	**100**	100	Investment holding
LT Digital Technology Limited	BVI/Macau	US$1	Ordinary	**100**	100	Investment holding
LT Game (Canada) Limited	Incorporated in Canada and continued in U.S./ U.S.	CAD100	Ordinary	**100**	100	Market development
LT Game Australia PTY Limited	Australia/Australia	AUD100	Registered capital	**100**	100	Market development
LT Game Limited	BVI/Macau	US$5,000	Ordinary	**82**	82	Development, sale and leasing of electronic gaming equipment and systems
LT Harvest Limited	Macau/Macau	MOP25,000	Ordinary	**100**	100	Provision of management services
LT View Limited	BVI/Hong Kong	US$1	Ordinary	**100**	100	Provision of management services
Natural Noble Limited	BVI/Macau	US$1	Ordinary	**100**	100	Investment holding
New Wahdo Customer Service Limited	Macau/Macau	MOP25,000	Ordinary	**100**	100	Provision of management services
Paradise Digital Technology (Shenzhen) Limited (note i)	PRC/PRC	RMB7,566,480	Registered capital	**100**	N/A	Technology and software development
Rich Yield Limited	Macau/Macau	MOP25,000	Ordinary	**100**	100	Investment holding
Shenzhen Caijing Software Technology Co., Ltd. (note i)	PRC/PRC	RMB500,000	Registered capital	**100**	100	Software development
Solution Champion Limited	BVI/Hong Kong	US$1	Ordinary	**100**	100	Investment holding
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 systems
Zhuhai Caijing Software Technology Co., Ltd. (note i)	PRC/PRC	RMB6,800,000	Registered capital	**100**	100	Software development

42. PARTICULARS OF SUBSIDIARIES (Continued)

(a) General information of subsidiaries (Continued)

Notes:

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

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

None of the subsidiaries had any debt securities outstanding at the end of both reporting periods.

The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affect the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

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

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

Name of subsidiary	Place of incorporation/ principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Total comprehensive income (expense) allocated to non-controlling interests		Accumulated non-controlling interests	
		2019	2018	**2019**	2018	**2019**	2018
				HK$'000	HK$'000	**HK$'000**	HK$'000
LT Game Limited and its subsidiaries	BVI/Macau	**18%**	18%	**6,155**	(5,187)	**52,103**	45,948
Individually immaterial subsidiaries with non-controlling interests						**(234)**	(145)
						51,869	45,803

42. PARTICULARS OF SUBSIDIARIES (Continued)

(b) Details of non-wholly owned subsidiaries that have material non-controlling interests (Continued)

LT Game Limited and its subsidiaries

	2019 HK$'000	2018 HK$'000
Current assets	**277,911**	292,164
Non-current assets	**33,767**	28,426
Current liabilities	**21,680**	65,323
Non-current liabilities	**540**	—
Equity attributable to owners of the Company	**237,355**	209,319
Non-controlling interests of LT Game Limited	**52,103**	45,948
Revenue	**176,001**	112,269
Expenses, other gains and losses	**121,850**	139,789
Profit (loss) for the year	**54,151**	(27,520)
Profit (loss) for the year attributable to:		
Owners of the Company	**44,404**	(22,567)
Non-controlling interests of LT Game Limited	**9,747**	(4,953)
	54,151	(27,520)
Other comprehensive income (expense) for the year attributable to:		
Owners of the Company	**33**	(1,064)
Non-controlling interests of LT Game Limited	**7**	(234)
	40	(1,298)
Total comprehensive income (expense) for the year attributable to:		
Owners of the Company	**44,437**	(23,631)
Non-controlling interests of LT Game Limited	**9,754**	(5,187)
	54,191	(28,818)
Net cash from (used in) operating activities	**32,154**	(3,561)
Net cash (used in) from investing activities	**(78,058)**	32,003
Net cash used in financing activities	**(508)**	(733)
Net cash (outflow) inflow	**(46,412)**	27,709

Financial Summary

For the year ended 31 December 2019

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

RESULTS

	Year ended 31 December				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**1,181,754**	1,164,207	1,011,844	1,163,347	1,092,078
Profit (loss) before taxation	**6,002**	53,560	(46,772)	(351,748)	(148,573)
Taxation credit (charge)	**4,558**	(403)	(680)	(3,394)	(340)
Profit (loss) for the year	**10,560**	53,157	(47,452)	(355,142)	(148,913)
Profit (loss) for the year attributable to:					
Owners of the Company	**926**	58,224	(30,698)	(380,380)	(165,192)
Non-controlling interests	**9,634**	(5,067)	(16,754)	25,238	16,279
	10,560	53,157	(47,452)	(355,142)	(148,913)

ASSETS AND LIABILITIES

	At 31 December				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**909,231**	883,373	741,478	915,514	1,276,544
Total liabilities	**(300,747)**	(254,655)	(163,723)	(292,745)	(299,980)
	608,484	628,718	577,755	622,769	976,564
Total equity attributable to:					
Owners of the Company	**556,615**	582,915	526,651	555,199	934,234
Non-controlling interests	**51,869**	45,803	51,104	67,570	42,330
	608,484	628,718	577,755	622,769	976,564

Definition

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

"2020 AGM"	the forthcoming annual general meeting of the Company to be held on 21 May 2020
"5G"	5th generation mobile networks
"Adjusted EBITDA"	the Group's profit or loss for the year before interest income, finance costs, taxation credit or charge, depreciation of property, plant and equipment, depreciation of right-of-use assets, 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
"AI"	Artificial intelligence
"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
"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
"ESG"	environmental, social and governance
"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
"Macao" or "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
"Nomination Committee"	the nomination committee of the Company
"PRC"	the People's Republic of China
"Remuneration Committee"	the remuneration committee 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$0.001 each in the share capital of the Company
"Share Award Scheme"	the share award scheme of the Company adopted by the Company on 11 November 2019
"Share Option Scheme"	the share option scheme of the Company adopted by the Company at the annual general meeting held on 25 May 2017
"Shareholder(s)"	holder(s) of the Shares
"SJM"	Sociedade de Jogos de Macau, S.A., one of the three concessionaires for operation of casinos in Macau
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Technical Standards"	DETG Technical Standards Version 1.0 published by the DICJ
"U.S."	the United States of America
"US$"	the United States dollars, the lawful currency of the U.S.
"%"	per cent