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PARADISE ENTERTAINMENT LIMITED

滙彩控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1180)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

RESULTS

The Board announces the audited consolidated annual results of the Group for the year ended 31 December 2023 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2023

	Notes	2023 HK\$'000	2022 HK\$'000
Revenue	4	634,281	297,820
Cost of sales and services		<u>(309,749)</u>	<u>(270,272)</u>
Gross profit		324,532	27,548
Other income, gains and losses		18,308	11,136
Marketing, selling and distribution costs		(104,583)	(41,643)
Operating and administrative expenses		(145,231)	(148,350)
Amortisation of intangible assets		(12,138)	(12,138)
Finance costs	6	<u>(18,648)</u>	<u>(7,515)</u>
Profit (loss) before taxation	7	62,240	(170,962)
Taxation (charge) credit	8	<u>(1,303)</u>	<u>4,632</u>
Profit (loss) for the year		<u><u>60,937</u></u>	<u><u>(166,330)</u></u>
Profit (loss) for the year attributable to:			
— Owners of the Company		65,782	(154,565)
— Non-controlling interests		<u>(4,845)</u>	<u>(11,765)</u>
		<u><u>60,937</u></u>	<u><u>(166,330)</u></u>
		HK cents	HK cents
Basic earnings (loss) per Share	10	<u><u>6.3</u></u>	<u><u>(14.7)</u></u>

* For identification purposes only

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit (loss) for the year	60,937	(166,330)
Other comprehensive income for the year:		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of foreign operations	<u>2,587</u>	<u>4,422</u>
Total comprehensive income (expense) for the year	<u>63,524</u>	<u>(161,908)</u>
Total comprehensive income (expense) for the year attributable to:		
— Owners of the Company	68,371	(150,582)
— Non-controlling interests	<u>(4,847)</u>	<u>(11,326)</u>
	<u>63,524</u>	<u>(161,908)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

	<i>Notes</i>	2023 HK\$'000	2022 HK\$'000
Non-current assets			
Property, plant and equipment		227,649	239,129
Right-of-use assets		24,262	35,877
Intangible assets		20,229	32,367
Interests in a joint venture		—	—
Deferred tax assets		164	—
Other assets		25,010	13,523
Pledged bank deposits		47,346	31,174
		<u>344,660</u>	<u>352,070</u>
Current assets			
Inventories		33,785	37,590
Trade and other receivables	11	82,064	33,613
Amount due from a related company		2,256	3,816
Convertible loan		—	—
Bank balances and cash		59,627	20,179
		<u>177,732</u>	<u>95,198</u>
Current liabilities			
Trade and other payables	12	78,901	52,217
Amounts due to Directors		1,796	1,773
Taxation payable		5,060	3,684
Bank borrowings — due within one year		10,150	6,087
Other borrowings — due within one year		6,637	69
Lease liabilities		14,031	13,651
Contract liabilities		11,968	7,190
Loans from a Shareholder	13	20,778	64,960
		<u>149,321</u>	<u>149,631</u>
Net current assets (liabilities)		<u>28,411</u>	<u>(54,433)</u>
Total assets less current liabilities		<u>373,071</u>	<u>297,637</u>
Non-current liabilities			
Bank borrowings — due after one year		115,650	115,036
Other borrowings — due after one year		243	312
Lease liabilities		13,094	24,599
Loans from a Shareholder	13	25,570	—
		<u>154,557</u>	<u>139,947</u>
Net assets		<u>218,514</u>	<u>157,690</u>
Capital and reserves			
Share capital		1,052	1,052
Reserves		196,633	128,262
Equity attributable to owners of the Company		197,685	129,314
Non-controlling interests		20,829	28,376
Total equity		<u>218,514</u>	<u>157,690</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

The Company is an investment holding company of a diverse group of companies that are principally engaged in provision of the casino management services, and the development, sale and leasing of electronic gaming equipment and systems. The Company is also engaged in the supply of smart charging stations and smart charging equipment for electric motorcycles, bicycles and vehicles.

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

2. BASIS OF PREPARATION

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

3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSS

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

In the current year, the Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2023 for the preparation of the consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform — Pillar Two Model Rules
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

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

Impacts on application of Amendments to HKAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

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

In accordance with the transition provision:

- (i) the Group has applied the new accounting policy retrospectively to leasing transactions that occurred on or after 1 January 2022; and
- (ii) the Group also, as at 1 January 2022, recognised a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary difference associated with right-of-use assets and lease liabilities.

The application of the amendments has had no material impact on the Group’s financial position and performance, except that the Group discloses the related deferred tax assets of HK\$1,362,000 and deferred tax liabilities of HK\$1,362,000 on a gross basis but it had no impact on the accumulated losses as at the earliest period presented.

Impacts on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 “Disclosure of Accounting Policies”

The Group has applied the amendments for the first time in the current year. HKAS 1 “Presentation of Financial Statements” is amended to replace all instances of the term “significant accounting policies” with “material accounting policy information”. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 “Making Materiality Judgements” (the “Practice Statement”) is also amended to illustrate how an entity applies the “four-step materiality process” to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments has had no material impact on the Group’s financial positions and performance but has affected the disclosure of the Group’s accounting policies set out in the consolidated financial statements.

Impacts on application of Amendments to HKAS 12 “International Tax Reform — Pillar Two Model Rules”

The Group has applied the amendments for the first time in the current year. HKAS 12 is amended to add the exception to recognising and disclosing information about deferred tax assets and liabilities that are related to tax law enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development (the “Pillar Two legislation”). The amendments require that entities apply the amendments immediately upon issuance and retrospectively. The amendments also require that entities to disclose separately its current tax expense/income related to Pillar Two income taxes in periods which the Pillar Two legislation is in effect, and the qualitative and quantitative information about its exposure to Pillar Two income taxes in periods in which the Pillar Two legislation is enacted or substantially enacted but not yet in effect in annual reporting periods beginning on or after 1 January 2023.

The Group is yet to apply the temporary exception during the current year because the Group’s entities are operating in jurisdictions which the Pillar Two legislation has not yet been enacted or substantially enacted. The Group will disclose known or reasonably estimable information that helps users of financial statements understand the Group’s exposure to Pillar Two income taxes in the Group’s annual consolidated financial statements when the Pillar Two legislation is enacted or substantially enacted and will disclose separately current tax expense/income related to Pillar Two income taxes when it is in effect.

Amendments to HKFRSs in issue but not yet effective

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

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ²
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ²
Amendments to HKAS 1	Non-current Liabilities with Covenants ²
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements ²
Amendments to HKAS 21	Lack of Exchangeability ³

¹ Effective for annual periods beginning on or after a date to be determined

² Effective for annual periods beginning on or after 1 January 2024

³ Effective for annual periods beginning on or after 1 January 2025

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

Amendments to HKAS 1 “Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)” (the “2020 Amendments”) and Amendments to HKAS 1 “Non-current Liabilities with Covenants” (the “2022 Amendments”)

The 2020 Amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity’s own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 “Financial Instruments: Presentation”.
- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that the classification should not be affected by management intentions or expectations to settle the liability within 12 months.

For rights to defer settlement for at least twelve months from reporting date which are conditional on the compliance with covenants, the requirements introduced by the 2020 Amendments have been modified by the 2022 Amendments. The 2022 Amendments specify that only covenants with which an entity is required to comply with on or before the end of the reporting period affect the entity’s right to defer settlement of a liability for at least twelve months after the reporting date. Covenants which are required to comply with only after the reporting period do not affect whether that right exists at the end of the reporting period.

In addition, the 2022 Amendments specify the disclosure requirements about information that enables users of financial statements to understand the risk that the liabilities could become repayable within twelve months after the reporting period, if an entity classifies liabilities arising from loan arrangements as non-current when the entity’s right to defer settlement of those liabilities is subject to the entity complying with covenants within twelve months after the reporting period.

The 2022 Amendments also defer the effective date of applying the 2020 Amendments to annual reporting periods beginning on or after 1 January 2024. The 2022 Amendments, together with the 2020 Amendments, are effective for annual reporting periods beginning on or after 1 January 2024, with early application permitted. If an entity applies the 2020 Amendments for an earlier period after the issue of the 2022 Amendments, the entity should also apply the 2022 Amendments for that period.

Based on the Group’s outstanding liabilities as at 31 December 2023, and the related terms and conditions stipulated in the agreements between the Group and the relevant lenders, the application of the 2020 Amendments and the 2022 Amendments will not result in reclassification of the Group’s liabilities.

4. REVENUE

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Casino management services:		
Provision of casino management services, recognised over time	<u>564,759</u>	<u>266,904</u>
Gaming systems:		
— Macau		
Sale of electronic gaming equipment and systems, recognised at a point in time	53,588	3,536
Leasing of electronic gaming equipment and systems — variable operating lease payments	<u>3,244</u>	<u>3,863</u>
	<u>56,832</u>	<u>7,399</u>
— Overseas		
Sale of electronic gaming equipment and systems, recognised at a point in time	—	20,352
Leasing of electronic gaming equipment and systems — variable operating lease payments	<u>—</u>	<u>959</u>
	<u>—</u>	<u>21,311</u>
— Royalty income, recognised over time	<u>342</u>	<u>2,206</u>
	<u>57,174</u>	<u>30,916</u>
Sale of smart charging equipment, recognised at a point in time	<u>12,348</u>	<u>—</u>
Total	<u><u>634,281</u></u>	<u><u>297,820</u></u>
Analysis of revenue:		
Recognised over time	565,101	269,110
Recognised at a point in time	<u>65,936</u>	<u>23,888</u>
Revenue recognition for revenue from contracts with customers	631,037	292,998
Leasing income — variable operating lease payments	<u>3,244</u>	<u>4,822</u>
Total	<u><u>634,281</u></u>	<u><u>297,820</u></u>

5. SEGMENT INFORMATION

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

Casino management services	—	Provision of casino management services in Macau
Gaming systems	—	Development, sale and leasing of electronic gaming equipment and systems and royalty income
Innovative and renewable energy solutions business	—	Supply of smart charging stations and smart charging equipment for electric motorcycles, bicycles, and vehicles, etc. (Has commenced from 2023)

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

Segment revenue and results

Information regarding the above segments is reported below:

For the year ended 31 December 2023

	Casino management services <i>HK\$'000</i>	Gaming systems <i>HK\$'000</i>	Innovative and renewable energy solutions business <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment revenue	<u>564,759</u>	<u>57,174</u>	<u>12,348</u>		<u>634,281</u>
Segment results	<u>126,206</u>	<u>(28,721)</u>	<u>1,797</u>		99,282
Unallocated corporate income					8,229
Unallocated corporate expenses					(26,623)
Finance costs					<u>(18,648)</u>
Profit before taxation					62,240
Taxation charge					<u>(1,303)</u>
Profit for the year					<u>60,937</u>
Other information					
Capital expenditure	9,490	4,347	6,656	1,314	21,807
Amortisation of intangible assets	12,138	—	—	—	12,138
Depreciation of property, plant and equipment	14,683	12,143	115	1,003	27,944
Depreciation of right-of-use assets	10,621	2,959	508	849	14,937
Loss (gain) on disposal/write-off of property, plant and equipment	—	34	2	(183)	(147)
Write-down of inventories	—	5,111	—	11	5,122

For the year ended 31 December 2022

	Casino management services <i>HK\$'000</i>	Gaming systems <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment revenue	<u>266,904</u>	<u>30,916</u>		<u>297,820</u>
Segment results	<u>(70,585)</u>	<u>(68,640)</u>		(139,225)
Unallocated corporate income				11,185
Unallocated corporate expenses				(35,407)
Finance costs				<u>(7,515)</u>
Loss before taxation				(170,962)
Taxation credit				<u>4,632</u>
Loss for the year				<u>(166,330)</u>
Other information				
Capital expenditure	31,449	20,661	561	52,671
Amortisation of intangible assets	12,138	—	—	12,138
Depreciation of property, plant and equipment	18,330	9,317	1,765	29,412
Depreciation of right-of-use assets	3,336	3,631	4,098	11,065
(Gain) loss on disposal/write-off of property, plant and equipment	(624)	3,377	3	2,756
Loss from change in fair value of convertible loan	—	—	347	347
Impairment loss in respect of amount due from a joint venture	—	—	141	141
Write-down of inventories	<u>—</u>	<u>3,533</u>	<u>64</u>	<u>3,597</u>

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

Geographical information

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

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Macau	621,591	274,303
U.S.	342	23,517
The PRC	<u>12,348</u>	<u>—</u>
	<u>634,281</u>	<u>297,820</u>

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

Information about major customers

During the year ended 31 December 2023, revenue derived from one (2022: one) customer, which individually contributed over 10% of the Group's revenue, is as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Casino management services segment	564,759	266,904
Gaming systems segment	<u>223</u>	<u>8</u>
	<u>564,982</u>	<u>266,912</u>

6. FINANCE COSTS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Interest on:		
— bank borrowings	4,014	3,102
— loans from a Shareholder	10,783	3,753
— lease liabilities	<u>3,851</u>	<u>660</u>
	<u>18,648</u>	<u>7,515</u>

7. PROFIT (LOSS) BEFORE TAXATION

2023
HK\$'000

2022
HK\$'000

Profit (loss) before taxation has been arrived at after charging:

Directors' emoluments	16,448	16,238
Other staff costs		
— Salaries and other benefits	89,660	97,880
— Retirement benefit scheme contributions	2,172	2,689
Total staff costs	108,280	116,807
Auditor's remuneration	2,180	1,980
Cost of inventories recognised as expenses (included in cost of sales and services)	26,624	17,638
Depreciation of property, plant and equipment	27,944	29,412
Depreciation of right-of-use assets	14,937	11,065
Commission expenses for casino management services (included in marketing, selling and distribution costs)	41,858	14,992
Impairment loss in respect of amount due from a joint venture (included in other income, gains and losses)	—	141
Loss on disposal/write-off of property, plant and equipment (included in other income, gains and losses)	—	2,756
Research and development expenditure (<i>note</i>) (included in operating and administrative expenses)	27,477	46,969
Loss from change in fair value of convertible loan (included in other income, gains and losses)	—	347
Write-down of inventories (included in cost of sales and services)	5,122	3,597
Unrealised exchange loss (included in other income, gains and losses)	—	5,889

and after crediting:

Gain on disposal/write-off of property, plant and equipment (included in other income, gains and losses)	147	—
Gain arising from early termination of lease contracts (included in other income, gains and losses)	123	77
Unrealised exchange gain (included in other income, gains and losses)	1,291	—
Covid-19-related rent concessions	—	227

Note: Research and development expenditure for the year ended 31 December 2023 of HK\$27,477,000 (2022: HK\$46,969,000) mainly includes staff costs of HK\$20,237,000 (2022: HK\$29,733,000), depreciation of property, plant and equipment of HK\$912,000 (2022: HK\$1,243,000) and depreciation of right-of-use assets of HK\$1,780,000 (2022: HK\$2,654,000) which are included in the respective total amounts disclosed separately above.

8. TAXATION (CHARGE) CREDIT

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current taxation charges:		
— Macau Complementary Tax	—	—
— Dividend Tax	(1,368)	(368)
— PRC Enterprise Income Tax	(99)	—
	(1,467)	(368)
Overprovision of Macau Complementary Tax in respect of prior years	—	5,000
Deferred tax credit	164	—
Taxation (charge) credit	<u>(1,303)</u>	<u>4,632</u>

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

Macau Complementary Tax (“Macau CT”) is calculated at 12% of the estimated assessable profit. No provision for Macau CT was made in the consolidated financial statements for the years ended 31 December 2023 and 31 December 2022 as the Group did not generate any assessable profit for both years.

Pursuant to the letter issued by the Financial Services Bureau of the Macau government dated 28 October 2020, the revenue generated from the service agreement signed between LT (Macau) Limited (“LT Macau”), a wholly-owned subsidiary of the Company incorporated in Macau, and SJM Resorts is not subject to Macau CT for the period from 1 April 2020 to 26 June 2022 since it is derived from SJM Resorts’ gaming revenue, for which gaming revenue is exempted from Macau CT pursuant to the terms of no. 2 of article 28 of the Law 16/2001 and the exemption granted by Despatch no. 89/2020 of 23 March 2020.

Pursuant to the terms of no. 2 of article 28 of the Law 16/2001 and Despatch no. 19/2024 published on 29 January 2024, SJM Resorts’ income generated from gaming operations is not subject to Macau CT for the period from 1 January 2023 to 31 December 2027. Since the revenue generated from the service agreement signed between LT Macau and SJM Resorts is derived from SJM Resorts’ gaming revenue, the Group is in the progress of applying for exemption approval from the Financial Services Bureau of the Macau government for the period from 1 January 2023 to 31 December 2025.

Pursuant to the letter issued by the Financial Services Bureau of the Macau government dated 28 October 2020, LT Macau is obligated to pay lump sum dividend tax of MOP388,000 (equivalent to HK\$376,000) for the period from 1 January 2021 to 31 December 2021 and MOP190,000 (equivalent to HK\$184,000) for the period from 1 January 2022 to 26 June 2022, respectively, as payment in lieu of Macau CT otherwise due by the shareholders of LT Macau on dividend distributions from gaming profits generated in relation to the operation of the casino at Casino Kam Pek Paradise. These lump sum dividend tax payments are required regardless of whether dividends were actually distributed or whether LT Macau had distributable profits in the relevant periods. For the year ended 31 December 2023, the Group provided dividend tax of HK\$1,368,000 (2022: HK\$368,000) on the same basis as SJM Resorts and the amount was charged to the consolidated statement of profit or loss.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Regulation on the Implementation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for year ended 31 December 2023. No provision for taxation for the PRC subsidiaries was made in the consolidated financial statements as the Group did not generate any assessable profit for year ended 31 December 2022.

No provision for taxation for the overseas subsidiaries was made in the consolidated financial statements as the Group did not generate any assessable profit for both years.

9. DIVIDEND

No dividend was paid to the owners of the Company during the years ended 31 December 2023 and 31 December 2022. The Directors determined that no dividend will be declared, proposed or paid for both years.

10. EARNINGS (LOSS) PER SHARE

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

	2023	2022
	HK\$'000	HK\$'000
Profit (loss)		
Profit (loss) for the year attributable to owners of the Company		
for the purposes of calculating basic earnings (loss) per Share	<u>65,782</u>	<u>(154,565)</u>
	2023	2022
	'000	'000
Number of Shares		
Weighted average number of Shares for the purposes of		
calculating basic earnings (loss) per Share	<u>1,052,185</u>	<u>1,052,185</u>

For the years ended 31 December 2023 and 2022, no diluted earnings (loss) per Share were presented as there were no dilutive potential ordinary shares.

11. TRADE AND OTHER RECEIVABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade receivables (<i>note i</i>)	54,894	5,069
Deposits paid	4,395	7,304
Loan receivable (<i>note ii</i>)	6,970	7,799
Other receivables	11,090	11,147
Prepayments	<u>4,715</u>	<u>2,294</u>
	<u>82,064</u>	<u>33,613</u>

Notes:

- (i) As at 1 January 2022, the carrying amount of trade receivables from contracts with customers was HK\$26,479,000.

As at 31 December 2023, trade receivables of HK\$54,894,000 (2022: HK\$5,069,000) comprised receivables from contracts with customers and lease receivables of HK\$54,581,000 (2022: HK\$4,134,000) and HK\$313,000 (2022: HK\$935,000), 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\$51,743,000 (2022: HK\$4,398,000), which are not past due. The Directors considered that trade receivables are of good credit quality given the continuous subsequent settlements from the gaming operator and other customers and forward-looking information such as the economic outlook.

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

As at 31 December 2023, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK\$3,151,000 (2022: HK\$671,000) which are past due as at the reporting date. Out of the past due balances at 31 December 2023, HK\$2,000 (2022: HK\$4,000) was past due 90 days or more and was not considered as in default based on historical repayment pattern from the specific debtors. The Group does not hold any collateral over these balances.

As at 31 December 2023, 94.3% (2022: 86.8%) of the trade receivables that are not credit-impaired have the best credit scoring attributable under the internal credit scoring system used by the Group.

The 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:

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Age:		
0–30 days	51,743	4,398
31–60 days	1,645	225
61–90 days	1,335	421
91–180 days	171	25
	<u>54,894</u>	<u>5,069</u>

- (ii) The amount represented a loan granted by the Group to a third party which is a company incorporated in Japan and principally engaged in the development and manufacture of gaming products. The loan is unsecured, bears interest at the rate of 8% per annum and is guaranteed by a director of an indirect non-wholly owned subsidiary of the Company who also holds an 18% shareholding in this non-wholly owned subsidiary. The maturity date of the outstanding loan principal and accrued interest is 5 October 2024 (2022: 5 October 2023). At 31 December 2023, an amount of the interest receivable of HK\$332,000 (2022: HK\$1,613,000) accrued from the loan was included in other receivables.

12. TRADE AND OTHER PAYABLES

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	16,979	17,858
Accrued staff costs	14,021	4,998
Accrued promotional expenses	19,476	11,097
Deposits received	640	560
Payable for acquisition of property, plant and equipment	4,717	4,717
Other sundry payables	15,224	9,994
Other accrued expenses	7,844	2,993
	<u>78,901</u>	<u>52,217</u>

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Age:		
0–30 days	6,140	5,540
31–60 days	2,846	2,267
61–90 days	1,648	2,160
91–365 days	5,433	7,430
Over 365 days	<u>912</u>	<u>461</u>
	<u>16,979</u>	<u>17,858</u>

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

13. LOANS FROM A SHAREHOLDER

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Loans from a Shareholder:		
2022 Loan Facility (<i>note i</i>)	—	64,960
2023 Loan Facilities (<i>note ii</i>)	<u>46,348</u>	<u>—</u>
	<u>46,348</u>	<u>64,960</u>

The loans from a Shareholder are repayable as follows*:

Within one year	20,778	64,960
Within a period of more than one year but not exceeding two years	23,492	—
Within a period of more than two years but not exceeding five years	<u>2,078</u>	<u>—</u>
	46,348	64,960
Less: Amounts due within 12 months shown under current liabilities	<u>(20,778)</u>	<u>(64,960)</u>
Amounts due after 12 months shown under non-current liabilities	<u>25,570</u>	<u>—</u>

* *The amounts due are based on scheduled repayment dates set out in relevant deeds of loan.*

Notes:

- (i) During the year ended 31 December 2022, the Group entered into a deed of loan which was amended by a deed of amendment (the deed of loan together with its amendment(s) from time to time collectively referred to as the “Deed of Loan”) with Dr. Chun, a Shareholder and an executive Director, pursuant to which Dr. Chun agreed to provide a loan facility (the “2022 Loan Facility”) amounting to HK\$120,000,000 to the Group to strengthen the liquidity of the Group. The loans drawn down under the 2022 Loan Facility were unsecured, carried interest at 10% per annum and had an original maturity date of 31 December 2023.

During the year ended 31 December 2023, the Deed of Loan was further amended pursuant to which the maturity date of the 2022 Loan Facility was extended from 31 December 2023 to 31 March 2024 and a clause was added to permit any amounts repaid by the Group could be re-drawn or re-borrowed during the term of the Deed of Loan. The loans drawn down under the 2022 Loan Facility was early settled in full during the year ended 31 December 2023.

Except for an amount of HK\$6,960,000 as at 31 December 2022 which was denominated in Renminbi, the outstanding amounts under the 2022 Loan Facility as at 31 December 2022 were denominated in HK\$.

- (ii) During the year ended 31 December 2023, the Group entered into two other deeds of loan with Dr. Chun pursuant to which Dr. Chun agreed to provide term loan facilities (the “2023 Loan Facilities”) with an aggregate amount of HK\$70,000,000 for a 3-year period to the Group. The loans are unsecured, carry interest at 12.5% per annum and are repayable in monthly instalments. During the year ended 31 December 2023, the loans had been fully drawn down by the Group.

The outstanding amounts under the 2023 Loan Facilities as at 31 December 2023 were denominated in HK\$.

14. CAPITAL COMMITMENTS

	2023	2022
	<i>HK\$’000</i>	<i>HK\$’000</i>
Capital expenditure in respect of property, plant and equipment contracted for but not provided for in the consolidated financial statements	<u>5,463</u>	<u>6,618</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Financial Review

Overview of Results

Total reported revenue of the Group for the year ended 31 December 2023 was HK\$634.3 million, representing an increase of 113.0% over that of HK\$297.8 million for the year ended 31 December 2022. The increase in the total reported revenue of the Group was mainly due to the increase in revenue from the provision of casino management services in Macau, the sale of electronic gaming equipment and systems in Macau, and the new innovative and renewable energy solutions business.

With the Covid-19 pandemic situation being gradually under control, since early 2023, the Macau government has started to ease travel restrictions and lifted its quarantine requirements for inbound business and leisure travellers. As entry quotas were dropped on 6 February 2023, cross-border travel between Mainland China, Hong Kong and Macau has fully resumed. All these factors have contributed to the increase in arrivals to Macau which also led to an increase in the number of patrons to Casino Kam Pek Paradise, the casino under the Group's management in Macau, and hence the increase in Group's revenue from the provision of casino management services in Macau for the year ended 31 December 2023. The increase in revenue from the sale/leasing of electronic gaming equipment and systems was mainly due to the increase in the sale of electronic gaming equipment and systems in Macau which was partially offset by the decrease in revenue from the sale/leasing of electronic gaming equipment and systems in overseas markets. In addition, the Group commenced a new business of providing innovative and renewable energy solutions during the year ended 31 December 2023 which contributed a revenue of HK\$12.4 million to the reported revenue of the Group for the year ended 31 December 2023.

An analysis of reported revenue by nature is as follows:

	2023	2022
	<i>HK\$ million</i>	<i>HK\$ million</i>
Casino under the Group's management in Macau:		
Casino Kam Pek Paradise	<u>564.8</u>	<u>266.9</u>
Electronic gaming equipment and systems:		
Sale/leasing of electronic gaming equipment and systems in Macau*	56.8	7.4
Sale/leasing of electronic gaming equipment and systems overseas	—	21.3
Royalty income from IGT	<u>0.3</u>	<u>2.2</u>
	<u>57.1</u>	<u>30.9</u>
Innovative and renewable energy solutions business in Mainland China	<u>12.4</u>	<u>—</u>
Total reported revenue	<u><u>634.3</u></u>	<u><u>297.8</u></u>

* Leasing revenue in Macau for the years ended 31 December 2023 and 31 December 2022 did not include the intercompany revenue derived from the LMG terminals deployed at the casino under the Group's management amounting to HK\$116.8 million (2022: HK\$56.3 million) which was included in the reported revenue of Casino Kam Pek Paradise under the Group's management in the above table.

Adjusted EBITDA for the year ended 31 December 2023 was a profit of HK\$133.6 million, as compared with a loss of HK\$109.0 million for the year ended 31 December 2022. The following table reconciles profit (loss) for the year to Adjusted EBITDA:

	2023	2022
	<i>HK\$ million</i>	<i>HK\$ million</i>
Profit (loss) for the year	60.9	(166.3)
Adjustments for:		
Interest income	(2.0)	(1.5)
Finance costs	18.6	7.5
Taxation charge (credit)	1.3	(4.6)
Depreciation of property, plant and equipment	27.9	29.4
(Gain) loss on disposal/write-off of property, plant and equipment	(0.1)	2.8
Depreciation of right-of-use assets	14.9	11.1
Gain arising from early termination of lease contracts	(0.1)	—
Loss from change in fair value of convertible loan	—	0.3
Amortisation of intangible assets	12.1	12.1
Impairment loss in respect of amount due from a joint venture	—	0.1
Net loss on disposal of subsidiaries	—	0.1
Others	0.1	—
Adjusted EBITDA	<u>133.6</u>	<u>(109.0)</u>

An analysis of Adjusted EBITDA by nature is as follows:

	2023	2022
	<i>HK\$ million</i>	<i>HK\$ million</i>
Casino under the Group's management in Macau:		
Casino Kam Pek Paradise	<u>162.8</u>	<u>(38.0)</u>
Electronic gaming equipment and systems:		
Sale/leasing of electronic gaming equipment and systems	11.1	(18.4)
Research and development and other costs	(26.2)	(37.4)
ETG distribution from IGT	0.3	2.2
	<u>(14.8)</u>	<u>(53.6)</u>
Other businesses	2.9	(3.7)
Corporate and other expenses	<u>(17.3)</u>	<u>(13.7)</u>
Adjusted EBITDA	<u>133.6</u>	<u>(109.0)</u>

Adjusted EBITDA from the casino under the Group's management in Macau segment for the year ended 31 December 2023 was a profit of HK\$162.8 million, as compared with a loss of HK\$38.0 million for the year ended 31 December 2022. The turnaround from loss to profit was mainly due to the increase in GGR generated by Casino Kam Pek Paradise in Macau when compared with that generated for the year ended 31 December 2022, mainly due to the increase in the number of patrons to Casino Kam Pek Paradise as mentioned above.

Adjusted EBITDA from the electronic gaming equipment and systems segment for the year ended 31 December 2023 was a loss of HK\$14.8 million, as compared with a loss of HK\$53.6 million for the year ended 31 December 2022. The decrease in loss of the segment was mainly due to the turnaround of the Adjusted EBITDA from sale/leasing of electronic gaming equipment and systems from a loss of HK\$18.4 million for the year ended 31 December 2022 to a profit of HK\$11.1 million for the year ended 31 December 2023 which was mainly attributable to the increase in revenue from the sale and provision of upgrading services to LMG terminals in Macau for the year ended 31 December 2023 when compared with that for the year ended 31 December 2022, and the Group's effective cost-saving strategy implemented to research and development and other expenses associated with electronic gaming equipment and systems which included relocating certain work activities which were previously conducted in overseas offices to offices in Macau and Mainland China.

Adjusted EBITDA of other businesses of the Group for the year ended 31 December 2023 was a profit of HK\$2.9 million, as compared with a loss of HK\$3.7 million for the year ended 31 December 2022. The turnaround from loss to profit was mainly attributable to the inclusion of a profit of HK\$2.4 million (2022: nil) in the Adjusted EBITDA for the year ended 31 December 2023 from the Group's innovative and renewable energy solutions business in Mainland China which commenced during the year ended 31 December 2023 and the success in streamlining the loss-making high-tech health innovative business of the Group since late 2022.

Due to the aforementioned reasons, the Group recorded a profit of HK\$60.9 million for the year ended 31 December 2023, as compared with a loss of HK\$166.3 million for the year ended 31 December 2022.

Provision of Casino Management Services

The following table sets out the average numbers of gaming tables, LMG terminals and slot machines which were in operation in Casino Kam Pek Paradise under the Group's management for the years ended 31 December 2023 and 31 December 2022:

	2023	2022
Traditional gaming tables	24	31
LMG gaming tables	10	8
LMG terminals	860	493
Slot machines	96	98

Pursuant to a service contract entered into between SJM Resorts and the Group on 30 December 2022 for the Group's provision of casino management services in Casino Kam Pek Paradise for the period from 1 January 2023 to 31 December 2025, the Group has been allocated quotas for managing 30 gaming tables and 100 slot machines in Casino Kam Pek Paradise. Pursuant to an offer letter issued by SJM Resorts to the Group on 23 May 2023 which was accepted by the Group on 5 June 2023, the Group was further allocated quotas for managing additional 10 gaming tables in Casino Kam Pek Paradise for the period from 8 May 2023 to 31 October 2023.

As at 31 December 2023, the Group managed a total of 30 (as at 31 December 2022: 47) gaming tables in Casino Kam Pek Paradise, all (as at 31 December 2022: 33) of which were in operation as at that date.

The following table sets out certain key operational data of gaming tables, LMG terminals and slot machines which were in operation in Casino Kam Pek Paradise under the Group's management for the years ended 31 December 2023 and 31 December 2022:

		2023	2022
Traditional gaming tables			
GGR	<i>(HK\$ million)</i>	452.7	207.5
Gaming tables	<i>(Average no. of tables)</i>	24	31
Net win/table/day	<i>(HK\$ thousand)</i>	51.7	18.3
LMG gaming tables			
GGR	<i>(HK\$ million)</i>	530.9	255.9
Terminals/gaming tables	<i>(Average no. of terminals/tables)</i>	860/10	493/8
Net win/terminal/day	<i>(HK\$)</i>	1,691	1,422
Net win/table/day	<i>(HK\$ thousand)</i>	145.5	87.6
Total gaming tables			
GGR	<i>(HK\$ million)</i>	983.6	463.4
Gaming tables	<i>(Average no. of tables)</i>	34	39
Net win/table/day	<i>(HK\$ thousand)</i>	79.3	32.6
Slot machines			
GGR	<i>(HK\$ million)</i>	50.0	27.5
Slot machines	<i>(Average no. of units)</i>	96	98
Net win/unit/day	<i>(HK\$)</i>	1,427	769
Total GGR	<i>(HK\$ million)</i>	<u>1,033.6</u>	<u>490.9</u>

For the year ended 31 December 2023, total GGR generated by Casino Kam Pek Paradise amounted to HK\$1,033.6 million, representing an increase of 110.6% over that of HK\$490.9 million for the year ended 31 December 2022.

A breakdown of revenue attributable to the Group for the casino under the Group's management in Macau for the years ended 31 December 2023 and 31 December 2022 is as follows:

	2023	2022
	<i>HK\$ million</i>	<i>HK\$ million</i>
Casino Kam Pek Paradise:		
Traditional gaming tables	249.0	114.1
LMG gaming tables	292.0	140.8
Slot machines	23.8	12.0
	<u>564.8</u>	<u>266.9</u>

Total revenue attributable to the Group generated by Casino Kam Pek Paradise for the year ended 31 December 2023 was HK\$564.8 million, representing an increase of 111.6% over that of HK\$266.9 million for the year ended 31 December 2022.

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

Sale/Leasing of Electronic Gaming Equipment and Systems in Macau

For the year ended 31 December 2023, revenue from sale/leasing of electronic gaming equipment and systems in Macau amounted to HK\$56.8 million, representing an increase of 667.6% over that of HK\$7.4 million for the year ended 31 December 2022. Revenue for the year ended 31 December 2023 in Macau comprised revenue of (i) HK\$48.5 million (2022: nil) from the sale of 260 (2022: nil) LMG terminals; (ii) HK\$5.1 million (2022: HK\$3.5 million) derived mainly from the provision of upgrading services to LMG terminals and other services; and (iii) HK\$3.2 million (2022: HK\$3.9 million) derived from leasing of electronic gaming equipment and systems.

Sale/Leasing of Electronic Gaming Equipment and Systems Overseas

For the year ended 31 December 2023, the Group did not generate any revenue from the sale/leasing of electronic gaming equipment and systems in overseas markets (2022: HK\$21.3 million). Revenue for the year ended 31 December 2022 in overseas markets comprised revenue of (i) HK\$20.3 million derived mainly from the sale of 498 units of slot machine; and (ii) HK\$1.0 million derived from the leasing of slot machines and other electronic gaming equipment and systems. Under the prevalence of the Covid-19 pandemic, the Group's deployment strategy during that period in the North American markets was to promote sale rather than leasing of slot machines and other electronic gaming equipment and systems. The Group managed to dispose of all the units in the year ended 31 December

2022 and accordingly, there was no revenue from the sale/leasing of electronic gaming equipment and systems in overseas markets recorded for the year ended 31 December 2023. In tandem with various cost-saving measures taken to contain the expenditure during the pandemic period, the expansion of our self-developed slot machines business to the North American markets as well as the related research and development activities were slowed down. As the global economic growth is on the rising trend after the pandemic, the Group has planned to expand and invest more in developing innovative electronic gaming equipment and systems for overseas markets, including the Southeast Asian markets such as the Philippines, Cambodia and Vietnam, as well as the North American markets.

Royalty income from IGT

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

With reference to the royalty statements provided by IGT to the Group, the Group recognised royalty income of HK\$0.3 million for the year ended 31 December 2023 (2022: HK\$2.2 million). Up to 31 December 2023, the Group has accumulatively recognised a total royalty income of HK\$14.7 million from IGT.

Innovative and Renewable Energy Solutions Business in Mainland China

In addition to the Group's core gaming business as mentioned above (namely, the provision of casino management services in Macau, and the development, sale and leasing of electronic gaming equipment and systems), during the year ended 31 December 2023, the Group has commenced a new business of engaging in the supply of smart charging stations and smart charging equipment for electric motorcycles, bicycles, and vehicles, etc. to customers in Mainland China.

During the year ended 31 December 2023, this business contributed a revenue of HK\$12.4 million (2022: not applicable) to the Group's reported revenue.

PROSPECTS

We are pleased to see that since early 2023, global business activities have been gradually resumed to normal with the easing of pandemic measures. For the year ended 31 December 2023, we witnessed a strong recovery and impressive performance of the gaming market in Macau. Thanks to the signing of the new contracts in respect of the 10-year gaming concession and the enactment of the new gaming law commencing from 1 January 2023, which proved to clear the uncertainties regarding the prospects of the gaming industry in Macau. We remain confident in the future of the gaming business in Macau.

In addition to the Macau gaming market, the Group is actively seeking potential business opportunities in overseas markets to expand its business of electronic gaming equipment and systems. We consider that there is huge potential for electronic table games and slot machines to grow in not only the Macau gaming market, but also the fast-growing Southeast Asian gaming markets such as the Philippines,

Vietnam, and Cambodia, and the North American gaming markets. For instance, the Philippines market has good potential as the Philippines already holds the title of the largest electronic gaming machine market in Asia, offering better flexibility with numerous casinos and a variety of gaming types. Further, the Philippines market is relatively more international and adheres to general standards for gaming machines aligning with global norms. The electronic gaming equipment and systems developed for the Philippines market can normally be promoted to other gaming markets in the world with little modification. The Group is ready to go into these markets to expand its businesses in these Southeast Asian gaming markets, while it will continue to explore business opportunities in the North American gaming markets.

We will continue to leverage and optimise our unique and privileged position that embraces synergies of two principal business segments, the provision of casino management services in Macau and the development, sale and leasing of electronic gaming equipment and systems in Macau and overseas gaming markets to enhance operation efficiency and add value to our products and services to cope with challenges arising from the ever-changing markets. This is a strong core strategic competence that we have built over the years and will continue to offer us a competitive advantage in the future. Adhering to our vision and mission, we will keep driving our investment on the research and development on technology and innovation for high-tech gaming products and utilise the research and development results of frontier technology striving to bolster the market competitiveness of our businesses as a major electronic gaming equipment and systems supplier in the industry.

As for comprehensive development in the long run, while our core gaming businesses are no doubt crucial to our growth, we also recognise the importance of seeking diversified expansion of the Group's business portfolio to expand our sources of income and future earning capability, create more value for the Group and seek higher returns for our Shareholders. The “dual carbon” goals of “Peaking Carbon Emissions” and “Achieving Carbon Neutrality” have highlighted the determination of the government in Mainland China to undergo green transformation. The Group has timely seized this opportunity to commence a new business activity of engaging in the supply of smart charging stations and related equipment for electric motorcycles, bicycles, and vehicles, etc. (collectively, “E-Vehicles”) to customers in Mainland China. Given the increasing promotion of the use of innovative and renewable energy and reduction of carbon emissions, there is a potential growing demand for E-Vehicles and related smart charging stations and equipment in Mainland China. The Group is pleased to see this new business activity has started to bring some returns and plans to invest more in this area. In this new era, a shift towards low carbon production and living is emerging. As a high-tech enterprise and with this in mind, the Group will continue to invest in high technology and research and development, and launch new high-tech innovative products to align with the national policy on the technology development and low carbon for the betterment of the people's quality of life.

DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2023 (2022: nil).

BOOK CLOSURE FOR 2024 AGM

To ascertain Shareholders' eligibility to attend and vote at the 2024 AGM to be held on 23 May 2024, the register of members of the Company will be closed from 17 May 2024 to 23 May 2024, both days inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the 2024 AGM, all transfers of Shares accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong Branch Share Registrar, Tricor Secretaries Limited, of 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, no later than 4:30 p.m. on 16 May 2024.

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, other borrowings and loans from a Shareholder. The Group has generally funded its operations from internal resources, bank borrowings, other borrowings, loans from a Shareholder, and/or equity financing.

The Group has adopted a prudent financial management approach towards its financial and treasury policies. During the year ended 31 December 2023, 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 2023, the consolidated net assets of the Group amounted to HK\$218.5 million, representing an increase of HK\$60.8 million or 38.6% from HK\$157.7 million as at 31 December 2022. The increase in consolidated net assets of the Group was mainly due to the Group's profit of HK\$60.9 million for the year ended 31 December 2023.

Pledged Bank Deposits, and Bank Balances and Cash

As at 31 December 2023, the Group held pledged bank deposits of HK\$47.3 million, and bank balances and cash of HK\$59.6 million.

The Group's pledged bank deposits of HK\$47.3 million as at 31 December 2023 comprised fixed deposits totalling HK\$46.5 million (denominated in HK\$, the Group's functional currency, and placed at a Macau bank with an original maturity of 12 months) and HK\$0.8 million (denominated in MOP and placed at a Macau bank with an original maturity of 12 months). The Group's other bank deposits and cash of HK\$59.6 million as at 31 December 2023 were mainly denominated in HK\$, MOP and US\$. Given that MOP is pegged to HK\$ and HK\$ is linked to US\$, the Group considers the exposure to exchange rate risk normal for its bank deposits denominated in MOP and US\$.

Loans from a Shareholder

As at 31 December 2023, the Group had the following outstanding loan facilities offered by Dr. Chun:

- (1) Pursuant to a deed of loan dated 14 March 2022 and subsequent deeds of amendment entered into between Dr. Chun and the Group, Dr. Chun agreed to provide a loan facility amounting to HK\$120.0 million to the Group. The loan is conducted on normal commercial terms and is unsecured, carries interest at 10% per annum and has a maturity date on 31 March 2024. Any amounts repaid by the Group under the loan facility could be re-drawn or re-borrowed during the term of the deed of loan. During the year ended 31 December 2023, the loan was early settled in full. At 31 December 2023, there was no (2022: HK\$65.0 million) outstanding loan principal under the deed of loan; and
- (2) Pursuant to two other deeds of loan dated 18 January 2023 entered into between Dr. Chun and the Group, Dr. Chun agreed to provide term loan facilities totalling HK\$70.0 million for a 3-year period to the Group. The loans are conducted on normal commercial terms and are unsecured, carry interest at 12.5% per annum and are repayable in monthly instalments. The loans have been fully drawn down by the Group on inception and partially prepaid during the year ended 31 December 2023. At 31 December 2023, total outstanding loan principal under these deeds of loan was HK\$46.3 million (2022: not applicable).

Borrowings and Gearing Ratio

As at 31 December 2023, the Group had total outstanding indebtedness of HK\$180.8 million (31 December 2022: HK\$188.3 million) comprising:

- (1) secured and unguaranteed bank borrowings of HK\$125.8 million (31 December 2022: HK\$120.6 million) (*note i*);
- (2) unsecured and unguaranteed loans from a Shareholder of HK\$46.3 million (31 December 2022: 65.0 million) (*note ii*);
- (3) unsecured and unguaranteed other borrowings of HK\$6.9 million (31 December 2022: HK\$0.4 million) (*note iii*); and
- (4) unsecured and unguaranteed amounts due to Directors of HK\$1.8 million (31 December 2022: HK\$1.8 million) (*note iv*).

As at 31 December 2022, the Group also had unsecured and unguaranteed bank borrowing of HK\$0.5 million which was fully repaid during the year ended 31 December 2023 (*note v*).

Notes:

- (i) The bank borrowings carried interest at prevailing market rates and were on floating rate basis.
- (ii) The loans from a Shareholder as at 31 December 2023 and 31 December 2022 carried interest at fixed rates of 10% or 12.5% per annum.
- (iii) The other borrowings were interest-free.
- (iv) The amounts due to Directors were interest-free.
- (v) The bank borrowing carried interest at a fixed rate of 4% per annum.

The maturity profile of the bank borrowings, other borrowings and the loans from a Shareholder totalling HK\$179.0 million as at 31 December 2023 spread over a period of more than five years, with HK\$37.6 million repayable within one year, HK\$34.0 million in the second year, HK\$43.4 million in the third to fifth year, and HK\$64.0 million over five years. The amounts due to Directors of HK\$1.8 million as at 31 December 2023 were repayable on demand. The Group's bank borrowings, other borrowings, loans from a Shareholder and amounts due to Directors were mainly denominated in MOP and HK\$. Given that MOP is pegged to HK\$, the Group considers that the exposure to exchange rate risk is normal for its indebtedness denominated in MOP.

The Group's gearing ratio (expressed as a percentage of consolidated total borrowings over consolidated net assets of the Group) as at 31 December 2023 was 82.7% (2022: 119.4%). The decrease in the Group's gearing ratio was mainly due to the net repayment of loans from a Shareholder of HK\$18.7 million and the inception of new bank and other borrowings of HK\$17.6 million, and the increase in consolidated net assets of the Group during the year ended 31 December 2023.

During the year ended 31 December 2023, the Group did not employ any financial instruments for hedging purposes.

CAPITAL COMMITMENTS

As at 31 December 2023, the Group had capital commitments in respect of acquisition of property, plant and equipment which is contracted for but not provided for in the consolidated financial statements of HK\$5.5 million (31 December 2022: HK\$6.6 million). The capital commitments will be funded by internal resources of the Group.

FOREIGN EXCHANGE EXPOSURE

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

exchange exposure to RMB as it maintains certain bank deposits and other borrowing denominated in RMB during the year ended 31 December 2023. The Group manages its foreign currency risk of RMB against HK\$ by closely monitoring the movement of the exchange rate and may consider specific hedge for significant foreign exchange exposure should additional need arise.

CHARGES ON GROUP ASSETS

As at 31 December 2023, the Group had charges on its leasehold land and buildings with total carrying amount of HK\$192.5 million and bank fixed deposits of HK\$47.3 million, details of which are as follows:

- (1) leasehold land and buildings with carrying amount of HK\$111.5 million to secure a bank borrowing offered by a bank to the Group;
- (2) leasehold land and buildings with carrying amount of HK\$81.0 million to secure bank borrowings offered by a bank to the Group;
- (3) bank fixed deposits totalling HK\$46.5 million to secure for a guarantee issued by a bank in favour of SJM Resorts in the amount of HK\$45.7 million for the period from 1 April 2020 to 31 December 2026 for the Group's fulfilment of all its obligations, including the reimbursement by the Group to SJM Resorts of the employees' compensation and benefits for those gaming operation employees employed by SJM Resorts who work for the casino under the Group's management in Macau, as stipulated under the service agreements (and all related supplemental agreements) entered into between SJM Resorts and the Group for the provision of casino management services by the Group to SJM Resorts; and
- (4) a bank fixed deposit of HK\$0.8 million to secure for a guarantee issued by a bank relating to certain subsidies granted by the Macau government to the Group.

CONTINGENT LIABILITIES

As at 31 December 2023, the Group did not have any significant contingent liabilities.

MATERIAL ACQUISITIONS AND DISPOSALS, AND SIGNIFICANT INVESTMENTS

There were no material acquisitions or disposals (including material acquisitions and disposals of subsidiaries, associates and joint ventures), or significant investments of the Group during the year ended 31 December 2023.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at 31 December 2023 and the date of this announcement, save as disclosed under the sub-section headed "Capital Commitments" above, the Group had no other plans for material investments or capital assets.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2023, the Group had approximately 680 employees, including approximately 390 gaming operation employees who were employed by SJM Resorts to work for Casino Kam Pek Paradise under the Group's management. These gaming operation employees were paid by SJM Resorts and the Group reimbursed SJM Resorts in full for their salaries and other benefits.

Total staff costs, including Directors' emoluments, for the year ended 31 December 2023 amounted to HK\$228.7 million (2022: HK\$219.6 million), including HK\$120.4 million (2022: HK\$102.8 million) for gaming operation employees employed by SJM Resorts for Casino Kam Pek Paradise.

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

EVENTS AFTER THE REPORTING PERIOD

There is no important event after 31 December 2023 which is required to be disclosed.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

In the opinion of the Board, the Company has complied with the code provisions as set out in the CG Code throughout the year ended 31 December 2023 except for the following deviation.

Code Provision C.2.1

Code provision C.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

During the year ended 31 December 2023, Dr. Chun and Mr. Zhang Jianjun are Co-chairmen of the Board and are responsible for the management of the Board and ensuring that all major and appropriate issues are discussed by the Board in a timely and constructive manner. Dr. Chun also serves as the Managing Director of the Company at the same time.

Dr. Chun takes care of the day-to-day management of the Group's business and implements the Group's policies, strategic plans and business goals formulated by the Board. In the opinion of the Board, the roles of the Managing Director and the chief executive officer are the same. Although Dr. Chun is both a Co-chairman of the Board and the Managing Director of the Company, the powers have been shared between the two Co-chairmen and Mr. Zhang Jianjun would also exercise his power and authorities as a Co-chairman of the Board in managing the affairs of the Board and the Company. The Board believes that the present structure provides the Group with strong and consistent leadership and allows for

efficient and effective business planning and execution, while the balance of power and authority for the present arrangement has been and is adequately ensured to protect the interests of the Company and the Shareholders by the current Board, which also comprises the Co-chairmen of the Board with professional background and experienced, with sufficient number of independent non-executive Directors that can scrutinise important decisions with their independent judgment and monitor the power exercised by the Co-Chairmen of the Board and the Managing Director of the Company. Hence, the Board believes that it is in the best interest of the Shareholders that Dr. Chun will continue to assume the roles of a Co-Chairman of the Board and the Managing Director of the Company. The Company will review the current structure as and when it becomes appropriate in the future.

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 2023.

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 2023.

UPDATE ON DIRECTORS' INFORMATION

On 28 March 2023, Mr. Kai-Shing Tao tendered his resignation as an independent non-executive Director and Dr. Liu Ka Ying Rebecca was appointed as an independent non-executive Director. Further details of the resignation and the appointment of Directors are set out in the Company's announcement dated 28 March 2023.

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

INDEPENDENT AUDITOR

The consolidated financial statements of the Group for the year ended 31 December 2023 were audited by the Group's independent auditor, Deloitte Touche Tohmatsu. A resolution will be proposed at the 2024 AGM to re-appoint Deloitte Touche Tohmatsu as the independent auditor of the Company.

REVIEW OF AUDITED CONSOLIDATED FINANCIAL STATEMENTS BY THE AUDIT COMMITTEE

The Audit Committee has reviewed with the management and the independent auditor of the Company the audited consolidated financial statements of the Group for the year ended 31 December 2023 and the related accounting principles and practices adopted by the Group.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in this preliminary announcement have been agreed by the Group’s independent auditor, Messrs. Deloitte Touche Tohmatsu (the “Auditor”), to the amounts set out in the audited consolidated financial statements of the Group for the year approved by the Board on 26 March 2024. The work performed by the Auditor in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by the Auditor on the preliminary announcement.

DEFINITIONS

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

“2024 AGM”	the forthcoming annual general meeting of the Company to be held on 23 May 2024
“Adjusted EBITDA”	the Group’s profit or loss for the year before interest income, finance costs, taxation, depreciation of property, plant and equipment, gain or loss on disposal/write-off of property, plant and equipment, depreciation of right-of-use assets, gain or loss on early termination of lease contracts, gain or loss from change in fair value of convertible loan, amortisation of intangible assets, gain or loss on acquisition or disposal of subsidiaries and costs incurred or associated with corporate exercises or potential projects, where applicable
“Audit Committee”	the audit committee of the Board
“Board”	the board of Directors
“CG Code”	the Corporate Governance Code contained in Appendix C1 (previously Appendix 14) to the Listing Rules
“Company”	Paradise Entertainment Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange
“Director(s)”	the director(s) of the Company
“Dr. Chun”	Dr. Jay Chun, the controlling Shareholder, a Co-chairman of the Board, an executive Director and the Managing Director of the Company
“ETG”	electronic table game

“GGR”	gross gaming revenue, being total net win generated by all casino gaming activities combined, calculated before deduction of commissions and other expenses, if any
“Group”	the Company and its subsidiaries
“HKAS”	Hong Kong Accounting Standard
“HKFRS(s)”	Hong Kong Financial Reporting Standard(s)
“HKICPA”	the Hong Kong Institute of Certified Public Accountants
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IGT”	a Nevada corporation and a subsidiary of International Game Technology PLC, which is listed on the New York Stock Exchange under the trading symbol “IGT”
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“LMG”	live multi game
“Macao” or “Macau”	the Macao Special Administrative Region of the PRC
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix C3 (previously Appendix 10) to the Listing Rules
“MOP”	Macau Pataca, the lawful currency of Macau
“PRC”	the People’s Republic of China
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of HK\$0.001 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“SJM Resorts”	SJM Resorts, Limited, one of the concessionaires for operation of casinos in Macau
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“U.S.”	the United States of America

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

“%” per cent

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

Hong Kong, 26 March 2024

As at the date of this announcement, the executive Directors are Dr. Jay Chun (Co-chairman of the Board and Managing Director, also alternate Director to Mr. Shan Shiyong, alias, Sin Sai Yung), Mr. Zhang Jianjun (Co-chairman of the Board) and Mr. Shan Shiyong, alias, Sin Sai Yung, and the independent non-executive Directors are Mr. Li John Zongyang, Ms. Tang Kiu Sam Alice and Dr. Liu Ka Ying Rebecca.