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PARADISE ENTERTAINMENT LIMITED

滙彩控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1180)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2016

The board of directors (the “Board”) of Paradise Entertainment Limited (the “Company”) hereby announces the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2016. This announcement, containing the full text of the Interim Report 2016 of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) in relation to information to accompany preliminary announcement of interim results. Printed version of the Company’s Interim Report 2016 will be delivered to the registered holders of shares of the Company and available for viewing on the websites of the Stock Exchange at www.hkexnews.hk and of the Company at www.hk1180.com on or before 28 September 2016.

By Order of the Board
Paradise Entertainment Limited
Stella Ho
Company Secretary

Hong Kong, 26 August 2016

As at the date of this announcement, the executive directors of the Company are Mr. Jay Chun (Chairman and Managing Director), Mr. Shan Shiyong, alias, Sin Sai Yung and Mr. Hu Liming and the independent non-executive directors of the Company are Mr. Li John Zongyang, Mr. Kai-Shing Tao and Ms. Tang Kiu Sam Alice.

* For identification purpose only

RESULTS

The board (the “Board”) of directors (the “Director”) of Paradise Entertainment Limited (the “Company”) hereby announces the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2016 together with the comparative figures for the relevant period in 2015 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	Unaudited Six months ended 30 June	
		2016 HK\$'000	2015 HK\$'000
Turnover	3	519,792	571,080
Cost of sales and services		(345,414)	(318,617)
		<hr/>	
Gross profit		174,378	252,463
Other income		3,544	5,852
Marketing, selling and distribution costs		(98,214)	(98,581)
Administrative expenses		(127,814)	(133,376)
Finance costs		(5,250)	(4,607)
Amortisation of intangible assets		(21,280)	(33,466)
Loss on disposal of patents		(334,765)	–
		<hr/>	
Loss before tax		(409,401)	(11,715)
Income tax expenses	6	(1,052)	(174)
		<hr/>	
Loss for the period	4	(410,453)	(11,889)
		<hr/> <hr/>	
(Loss) profit for the period attributable to:			
Owners of the Company		(416,843)	(23,858)
Non-controlling interests		6,390	11,969
		<hr/>	
		(410,453)	(11,889)
		<hr/> <hr/>	
Loss per share (HK cents)	7		
– Basic		(39.61)	(2.26)
		<hr/> <hr/>	
– Diluted		(39.61)	(2.26)
		<hr/> <hr/>	

CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	Unaudited	
	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
Loss for the period	(410,453)	(11,889)
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of financial statements of overseas operations	(74)	(193)
Total comprehensive income for the period	(410,527)	(12,082)
Total comprehensive income attributable to:		
Owners of the Company	(416,917)	(24,051)
Non-controlling interests	6,390	11,969
	(410,527)	(12,082)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Unaudited	Audited
		30 June	31 December
		2016	2015
	Notes	HK\$'000	HK\$'000
Non-current assets			
Property, plant and equipment	8	165,805	193,936
Intangible assets	9	111,263	568,317
Finance lease receivable	10	18,412	–
Interest in an associate		–	–
		<hr/> 295,480	<hr/> 762,253
Current assets			
Inventories		82,777	87,220
Debtors, deposits and prepayments	11	208,011	189,681
Tax receivable		24	–
Cash and cash equivalents		321,884	237,390
		<hr/> 612,696	<hr/> 514,291
Current liabilities			
Creditors and accrued charges	12	256,229	218,884
Obligations under finance leases			
– due within one year	13	–	65
Promissory note – due within one year	14	82,407	–
Amounts due to directors	17	3,503	3,535
Tax payable		–	338
		<hr/> 342,139	<hr/> 222,822
Net current assets		<hr/> 270,557	<hr/> 291,469
Total assets less current liabilities		<hr/> 566,037	<hr/> 1,053,722

**CONDENSED CONSOLIDATED STATEMENT OF
FINANCIAL POSITION (CONTINUED)**

		Unaudited 30 June 2016 HK\$'000	Audited 31 December 2015 HK\$'000
	Notes		
Non-current liabilities			
Obligations under finance leases			
– due after one year	13	–	–
Promissory note – due after one year	14	–	77,158
		–	77,158
Net assets		566,037	976,564
Capital and reserves			
Share capital	15	1,052	1,053
Treasury shares		–	(1,641)
Reserves		516,265	934,822
Equity attributable to owners of the Company		517,317	934,234
Non-controlling interests		48,720	42,330
Total equity		566,037	976,564

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

	Unaudited	
	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
Net cash generated from operating activities	16,883	76,239
Net cash generated from (used in) investing activities	67,779	(16,870)
Net cash used in financing activities	(98)	(61,652)
Net increase (decrease) in cash and cash equivalents	84,564	(2,283)
Effect of foreign exchange rate changes	(70)	(200)
Cash and cash equivalents at beginning of the period	237,390	321,252
Cash and cash equivalents at end of the period	321,884	318,769
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS, represented by		
Cash and cash equivalents	321,884	318,769

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For six months ended 30 June 2016

	Attributable to owners of the Company							Non-controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Treasury shares HK\$'000	Share premium HK\$'000	Special reserve HK\$'000	Translation reserve HK\$'000	Accumulated losses HK\$'000	Sub-total HK\$'000		
At 1 January 2016	1,053	(1,641)	928,837	119,612	21,201	(134,828)	934,234	42,330	976,564
Loss for the period	-	-	-	-	-	(416,843)	(416,843)	6,390	(410,453)
Other comprehensive income	-	-	-	-	(74)	-	(74)	-	(74)
Total comprehensive income	-	-	-	-	(74)	(416,843)	(416,917)	6,390	(410,527)
Cancellation of shares	(1)	1,641	(1,640)	-	-	-	-	-	-
At 30 June 2016	1,052	-	927,197	119,612	21,127	(551,671)	517,317	48,720	566,037

For six months ended 30 June 2015

	Attributable to owners of the Company							Non-controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Treasury shares HK\$'000	Share premium HK\$'000	Special reserve HK\$'000	Translation reserve HK\$'000	Accumulated losses HK\$'000	Sub-total HK\$'000		
At 1 January 2015	1,057	-	936,874	119,612	21,556	83,139	1,162,238	29,291	1,191,529
Loss for the period	-	-	-	-	-	(23,858)	(23,858)	11,969	(11,889)
Other comprehensive income	-	-	-	-	(193)	-	(193)	-	(193)
Total comprehensive income	-	-	-	-	(193)	(23,858)	(24,051)	11,969	(12,082)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	(3,240)	(3,240)
Dividend approved in respect of the previous year	-	-	-	-	-	(52,775)	(52,775)	-	(52,775)
Repurchase of shares	(2)	-	(5,542)	-	-	-	(5,544)	-	(5,544)
At 30 June 2015	1,055	-	931,332	119,612	21,363	6,506	1,079,868	38,020	1,117,888

NOTES:

(1) Basis of preparation

These condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and the Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

(2) Accounting policies

The accounting policies adopted for the preparation of the condensed consolidated financial statements are consistent with those set out in the Group’s consolidated financial statements for the year ended 31 December 2015, except for adoption of the following amended Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA which are effective to the Group for accounting periods beginning on or after 1 January 2016.

Amendments to HKAS 1	Disclosure Initiative
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle

The adoption of these amended HKFRSs has no material impact on the Group’s results and financial position for the current or prior periods.

(3) Turnover and segment information

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

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

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

The following tables present revenue and profit information regarding the Group's operating and reportable segments reported to CODM for the purposes of resources allocation and assessment of segment performance for the period ended 30 June 2016 and 2015, respectively.

(3) Turnover and segment information (Continued)

	Unaudited							
	Six months ended 30 June							
	Operating and reportable segments							
	Casino service		Gaming system		Unallocated		Total	
2016	2015	2016	2015	2016	2015	2016	2015	
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Revenue								
Revenue from external customers	402,681	457,050	117,111	114,030	-	-	519,792	571,080
Segment results	(81,220)	(21,962)	(308,269)	30,047	(14,662)	(15,193)	(404,151)	(7,108)
Finance costs							(5,250)	(4,607)
Loss before tax							(409,401)	(11,715)
Income tax expenses							(1,052)	(174)
Loss for the period							(410,453)	(11,889)
Other information								
Capital expenditure	2,512	16,975	1,729	2,180	343	12	4,584	19,167
Amortisation	6,069	6,069	15,211	27,397	-	-	21,280	33,466
Depreciation	24,536	18,548	7,794	6,550	345	652	32,675	25,750

Note: Revenue reported above represented the revenue generated from external customers which did not include the intersegment sales of approximately HK\$9,333,000 (2015: HK\$9,333,000) during the period ended 30 June 2016 amongst the two operating and reportable segments.

(4) Loss for the period

Loss for the period has been arrived at after charging (crediting):

	Unaudited	
	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
Auditors' remuneration	480	480
Amortisation of intangible assets	21,280	33,466
Consultancy fee	1,276	1,089
Cost of inventories recognised as expenses	15,584	9,540
Depreciation of property, plant and equipment	32,675	25,750
Impairment loss recognised in respect of amount due from an associate	26	15
Gain on disposal of property, plant and equipment	(8)	–
Loss on disposal of patents	334,765	–
Operating lease rentals paid in respect of rented premises	5,976	5,830
Research and development*	8,928	10,063
Staff costs		
– Directors' remuneration (note 5)	12,885	13,043
– Other staff costs		
– Salaries and other benefits	59,487	57,928
– Retirement benefit scheme contributions	673	549
Total staff costs	73,045	71,520

* Research and development expenditure includes HK\$8,254,000 (2015: HK\$8,653,000) relating to staff costs, depreciation and operating lease rental paid which are included in the respective total amounts disclosed separately above.

(5) Directors' remuneration

The remuneration of Directors during the period was as follows:

	Unaudited	
	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
Directors' fees	180	180
Salaries and other benefits	12,060	12,060
Retirement benefit scheme contributions	15	15
Accommodation benefits	630	788
	<hr/>	
	12,885	13,043
	<hr/> <hr/>	

The remuneration of Directors is determined by the remuneration committee having regard to the performance of individuals and market trends.

(6) Income tax expense

The income tax expense during the period was as follows:

	Unaudited	
	Six months ended 30 June	
	2016	2015
	HK'000	HK'000
Provision for:		
Current tax	1,053	174
Deferred tax	-	-
	<hr/>	<hr/>
	1,053	174
	<hr/> <hr/>	<hr/> <hr/>

No provision for Hong Kong Profits Tax has been made in the condensed consolidated financial statements as the Group did not generate any assessable profit in Hong Kong for the period. The provision for current tax is calculated on the assessable profit at the rate of 25% (2015: 25%) prevailing in the PRC and at the rate of 12% (2015: 12%) prevailing in the Macau in which the Group operates.

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

(6) Income tax expense (Continued)

Pursuant to the Dispatch of the Macau Financial Services Bureau dated 18 February 2015, LT (Macau) Limited, a wholly-owned subsidiary of the Company, is allowed to pay an annual lump sum dividend withholding tax of approximately MOP341,000 (equivalent to approximately HK\$331,000) for each of the years ended 31 December 2012 through to 2016 as payment in lieu of Macau Complementary Tax otherwise due by the shareholders of LT (Macau) Limited on dividend distributions from gaming profits generated in relation to the provision of management services to Casino Kam Pek Paradise, Lisboa Casino and Casino Macau Jockey Club. Such annual lump sum tax payments are required regardless of whether dividends were actually distributed or whether LT (Macau) Limited has distributable profits in the relevant years. During the period ended 30 June 2016, provision for taxation of HK\$166,000 has been recognised which was charged to the condensed consolidated statement of profit or loss.

There is no movement in provision for deferred tax during the period ended 30 June 2016. No deferred tax asset has been recognised in respect of tax losses as the recoverability of these potential deferred tax assets is uncertain.

(7) Loss per share

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

	Unaudited	
	Six months ended 30 June	
	2016	2015
	HK'000	HK'000
Loss		
Loss for the period for the purpose of basic and diluted loss per share	(416,843)	(23,858)

(7) Loss per share (Continued)

Unaudited
Six months ended 30 June
2016 **2015**

Number of shares

Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share

1,052,303,667 1,055,736,121

(8) Property, plant and equipment

During the period, additions to the property, plant and equipment amounted to HK\$4.6 million, which includes HK\$3.1 million of gaming facilities and HK\$1.0 million of leasehold improvements.

(9) Intangible assets

The decrease in value of intangible assets represents amortisation of patents and patent applications regarding the betting terminal system amounted to HK\$21.3 million.

During the period, various patents and patent applications in the U.S. of a computerized system for operating multi-gambling games with net book value of HK\$435.8 million were disposed, resulting in a loss on disposal of HK\$334.8 million. The details of the transaction were disclosed in the Company's announcement dated 26 April 2016 and circular dated 21 June 2016.

(10) Finance lease receivable

	Unaudited	Audited
	30 June	31 December
	2016	2015
	HK\$'000	HK\$'000
Gross receivable	20,225	–
Unearned finance income	(1,813)	–
	<hr/>	
	18,412	–
Current portion included in current assets	–	–
	<hr/>	
	18,412	–
	<hr/> <hr/>	

	Minimum receipts		Present value	
	Unaudited	Audited	Unaudited	Audited
	30 June	31 December	30 June	31 December
	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within one year	–	–	–	–
More than one year, but not exceeding two years	20,225	–	18,412	–
	<hr/>		<hr/>	
	20,225	–	18,412	–
	<hr/> <hr/>		<hr/> <hr/>	

(11) Debtors, deposits and prepayments

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

Unaudited	Audited
30 June	31 December
2016	2015
HK\$'000	HK\$'000

The ageing analysis of trade debtors is as follows:

Within 30 days	38,683	56,528
31 – 60 days	960	4,955
61 – 90 days	2,787	3,214
91 – 180 days	2,555	9,376
181 – 365 days	15,365	2,202
Over 365 days	4,101	1,899
	<hr/>	
	64,451	78,174
Deposits, other debtors and prepayments	143,560	111,507
	<hr/>	
	208,011	189,681
	<hr/> <hr/>	

(12) Creditors and accrued charges

	Unaudited	Audited
	30 June	31 December
	2016	2015
	HK\$'000	HK\$'000
The ageing analysis of trade creditors is as follows:		
Within 30 days	27,359	32,182
31 – 60 days	7,173	7,314
61 – 90 days	1,020	3,050
91 – 365 days	20,503	41,274
Over 365 days	41,047	25,021
	<hr/>	<hr/>
	97,102	108,841
Other creditors and accrued charges	159,127	110,043
	<hr/>	<hr/>
	256,229	218,884
	<hr/> <hr/>	<hr/> <hr/>

(13) Obligations under finance leases

	Minimum lease payments		Present value of minimum lease payments	
	Unaudited 30 June 2016 HK\$'000	Audited 31 December 2015 HK\$'000	Unaudited 30 June 2016 HK\$'000	Audited 31 December 2015 HK\$'000
Within one year	-	66	-	65
More than one year, but not exceeding two years	-	-	-	-
	-	66	-	65
Less: Future finance charges	-	(1)	-	-
Present value of lease obligations	-	65	-	65
Less: Amounts due for settlement within one year (shown under current liabilities)			-	(65)
Amounts due for settlement after one year			-	-

All obligations under finance leases are denominated in Hong Kong dollars.

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

(14) Promissory note

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

The promissory note is measured at amortised cost using the effective interest method with the effective interest rate at 13.36% per annum (year ended 31 December 2015: 13.36% per annum).

During the period ended 30 June 2016, the Group did not redeem any promissory note.

	Unaudited	Audited
	30 June	31 December
	2016	2015
	HK\$'000	HK\$'000
At the beginning of the period/year	77,158	67,642
Interest charged	5,249	9,516
	<hr/>	<hr/>
At the end of the period/year	82,407	77,158
	<hr/> <hr/>	<hr/> <hr/>

(14) Promissory note (Continued)

The maturity of the promissory note is as follows:

	Unaudited 30 June 2016 HK\$'000	Audited 31 December 2015 HK\$'000
Within one year	82,407	–
More than one year but not more than five years	–	77,158
	82,407	77,158

(15) Share capital

	Number of share of HK\$0.001 each '000	Nominal value HK\$'000
<i>Authorised:</i>		
At 1 January 2016 and 30 June 2016	1,000,000,000	1,000,000
<i>Issued and fully paid:</i>		
At 1 January 2016	1,053,621	1,053
Cancellation of shares	(1,436)	(1)
At 30 June 2016	1,052,185	1,052

(16) Capital commitments

	Unaudited	Audited
	30 June	31 December
	2016	2015
	HK\$'000	HK\$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
Acquisition of property, plant and equipment	8,049	9,709

(17) Related party transactions

In addition to those related party transactions and balances disclosed elsewhere in the consolidated financial statements, the Group had the following transactions with its related parties during the period:

	Unaudited					
	Six months ended 30 June					
	Directors		Associate		Related parties	
2016	2015	2016	2015	2016	2015	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Sales of electronic gaming system (note (a))	-	-	-	-	12,733	-
Consultancy fee paid to (note (b))	-	-	-	-	481	-
Salaries and other benefits paid to (notes (c) & (d))	-	-	-	-	1,985	1,969

(17) Related party transactions

	Unaudited	Audited	Unaudited	Audited	Unaudited	Audited
	30 June	31 December	30 June	31 December	30 June	31 December
	2016	2015	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amounts due from (notes (e) & (f))	-	-	6,150	6,124	-	-
Amounts due to (note (f))	3,503	3,535	-	-	-	-

Notes:

- (a) The related party is wholly owned by the brother-in-law of Mr. Jay Chun, the Chairman and an executive Director.
- (b) The related party is the brother-in-law of Mr. Jay Chun, the Chairman and an executive Director.
- (c) The transactions were charged at predetermined amounts agreed between the parties involved.
- (d) The related party is the spouse of Mr. Jay Chun, the Chairman and an executive Director.
- (e) Impairment of approximately HK\$26,000 (2015: HK\$15,000) has been made for the period for the amount due from an associate. The amount due from an associate was fully impaired.
- (f) The amounts due are unsecured, interest free and have no fixed terms of repayment.

(18) Contingent assets

On 25 April 2016, the Group and International Game Technology ("IGT") entered into a strategic agreement pursuant to which the Group will receive earn-out payments for IGT's placements of certain licensed products based upon a flat fee per unit or flat fee per unit per day. However, as it is impracticable to estimate the amount, or timing of generation, of such income, no income has been recognized during the reviewing period. The details of the transaction were disclosed in the Company's announcement dated 26 April 2016 and circular dated 21 June 2016.

DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2016 (2015: Nil).

BUSINESS REVIEW

Revenue of the Group for the six months ended 30 June 2016 ("Period") decreased to HK\$519,792,000 from HK\$571,080,000, representing a drop of 9.0% for the same period last year. Such decrease was attributable to the decrease in gross gaming revenue of the Group's casino management business, mainly driven by the diminishing economic growth rate in China and the anti-corruption campaign by the Central Government of China.

The Group recorded an increase in loss of HK\$410,453,000 for the Period as compared to the loss of HK\$11,889,000 for the corresponding period in 2015. It is mainly due to the one-off loss on disposal of patents and patent applications with carrying value of HK\$334,765,000 resulting from the grant of exclusive right to IGT involving assignment and license of certain patents and associated technology as disclosed in the announcement of the Company dated 26 April 2016 and circular of the Company dated 21 June 2016.

PROVISION OF CASINO SERVICES

During the Period, revenue generated by the provision of casino services contributed 77.5% to the total revenue.

The first half of 2016 was a challenging environment for the Group in light of China's economic slowdown and anti-corruption campaign by the Central Government of China, which also dragged down the number of tourists visiting Macau. The Group is awaiting the Macau government to promulgate more effective supportive policies in order to revitalise the economy of Macau.

SALES AND REVENUE SHARING OF LIVE MULTI GAME (“LMG”) TERMINALS

Revenue generated by the sales and revenue sharing of LMG terminals contributed 22.5% to the total revenue.

The Group has successfully deployed 70 LMG terminals and 50 LMG terminals at Casino Diamond at Holiday Inn Macau and Flamingo Slot Club at Macau Fisherman’s Wharf, respectively, which serve as a vote of confidence in our LMG’s ability to drive performance for casino operators. The sales further demonstrate the growing popularity and acceptance of LMG terminals for both casino operators and players. We believe our cutting-edge gaming machine expertise and operational capabilities will continue to lead the market and deliver solid performance to our shareholders.

PROSPECTS

Being a new-comer to the US gaming market, and in view of the fierce competition from the well-established gaming machines manufacturers in the US, it is a challenging task for the Group to open up this market in view of the substantial resources and effort required. To smooth out the challenges faced by the Group, the Group has identified a strategic partner, which has strong standing in the US as well as global gaming market.

By entering into a strategic agreement with IGT, a global leader in casino gaming industry which shares are listed on the New York Stock Exchange in April 2016, the Group has granted an exclusive right to make, market and distribute electronic gaming systems involving assignment and license of certain patents and associated technology to IGT. With IGT’s well-established effective gaming distribution platform and extensive market penetration worldwide, the Group believes that the grant of the exclusive rights to IGT not only boost the sales and popularity of the LMG in US but also pave the best path to create value for the Group. The strategic agreement with IGT will also facilitate the expansion and operations of electronic gaming business and increase the revenue base of the Group.

Following the industry players expressed concern that a full smoking ban on casino floors and VIP rooms might deter certain gamers and affect casino revenues, the Macau government is trying to find leeway to allow the set up of smoking rooms in casinos. This apparent softening of the government’s stance has provided some cheer for the Macau gaming industry.

Looking ahead, the Group remains cautiously optimistic and will continue to execute the established business strategies while at the same time striving to promote and develop the existing Macau gaming market. As always, the Group pledges to seek and evaluate every opportunity and will strive to achieve long-term sustainable growth in order to maximize returns to our shareholders.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2016, the Group's promissory note stood at HK\$82,407,000 and was payable within 12 months. During the Period, current liabilities of the Group increased from HK\$222,822,000 to HK\$342,139,000, representing an increase of approximately 53.5%. The Group's total liabilities increased from HK\$299,980,000 to HK\$342,139,000, representing an increase of approximately 14.1%.

As at 30 June 2016, the cash and cash equivalents on hand and available financial resources were sufficient for financing the ongoing activities of the Group.

GEARING RATIO

The Group's gearing ratio (defined as the ratio of total outstanding interest bearing borrowing less cash and cash equivalents to total assets (excluding cash and cash equivalents)) as at 30 June 2016 was nil (31 December 2015: nil).

MATERIAL ACQUISITIONS AND DISPOSALS

On 25 April 2016, the Group and IGT, entered into an agreement pursuant to which the Group has agreed to grant to IGT the exclusive rights to make, have made, use, sell, offer for sale, import, license/sub-license, and otherwise exploit the licensed products worldwide (other than Macau), which involves the assignment and license of certain patents and associated technology in relation to the licensed products for the purpose of facilitating the exercise of the exclusive rights by IGT ("the transaction"). The details of the transaction were discussed in the Business Review and the Prospects sections of this report and disclosed in the Company's announcement dated 26 April 2016 and circular dated 21 June 2016.

FOREIGN EXCHANGE EXPOSURE

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

CHARGES ON GROUP ASSETS

As at 30 June 2016, no asset of the Group was subject to charges for securing any obligation under finance lease, liabilities or bank loan.

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

ORGANISATION AND EMPLOYEES

The Group had 510 employees (31 December 2015: 500) as at 30 June 2016. A majority of the employees are operational staff and marketing executives in Macau. The Group is actively seeking talents in Macau, Hong Kong and China in order to cope with its fast growing operations.

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

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

(I) SHARES

As at 30 June 2016, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such director or chief executive was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code"), were as follows:

Directors	Name of company/ associated corporation	Capacity/ Nature of interests	Interests in shares (other than pursuant to equity derivatives) ⁽¹⁾	Interests in underlying shares pursuant to equity derivatives ⁽¹⁾	Total interests in shares/ underlying shares ⁽¹⁾	Approximate aggregate percentage of interests
Mr. Jay Chun	The Company	Beneficial owner/Personal interest	124,160	-	630,960,880	59.96%
	The Company	Interest of controlled corporation/ Corporate interest	630,836,720 ⁽²⁾	-		
Mr. Shan Shiyong, alias, Sin Sai Yung	The Company	Interest of controlled corporation/ Corporate interest	26,097,580 ⁽³⁾	-	26,097,580	2.48%

Notes:

- (1) All interests in shares stated above are of par value of HK\$0.001 each and represent long positions.
- (2) These shares were held by August Profit Investments Limited, a company which is wholly owned by Mr. Jay Chun, the Chairman and an executive Director.
- (3) These shares were held by Best Top Offshore Limited, a company which is wholly owned by Mr. Shan Shiyong, alias, Sin Sai Yung, an executive Director.

Save as disclosed above, none of the Directors and the chief executive of the Company was interested or had any short position in any shares, underlying shares or debentures of the Company and its associated corporation (within the meaning of Part XV of the SFO) as at 30 June 2016.

(II) SHARE OPTIONS

The share option scheme was adopted by the Company on 30 July 2007 (the "Option Scheme").

During the Period, no option was granted pursuant to any option scheme of the Company.

As at 30 June 2016, there was also not any outstanding option granted under any option scheme of the Company.

As at 30 June 2016, the total number of options available for issue under the Option Scheme was 106,398,131, representing 10% of the shares in issue of the Company as at the date of refreshment of the scheme mandate limit on 13 June 2014.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 30 June 2016, according to the register of interests kept by the Company under section 336 of the SFO, and so far as was known to the Directors or chief executive of the Company, the following persons or corporations, other than Directors or chief executive of the Company, had an interest in the shares of the Company, which would require to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of the Company:

Name of shareholder	Nature of interest	Interests in shares (other than pursuant to equity derivatives) ⁽¹⁾	Approximate percentage of interests
August Profit Investments Limited ⁽²⁾	Corporate interest	630,836,720	59.95%
FIL Limited	Investment manager	84,708,000	8.05%

Notes:

- (1) All interests in shares stated above are of par value of HK\$0.001 each and represent long positions.
- (2) August Profit Investments Limited is wholly owned by Mr. Jay Chun, the Chairman and an executive Director.

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

Save as disclosed above, as at 30 June 2016, the Company had not been notified of any person or corporation who was interested in or had a short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company under section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Period.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") is to assist the Board in fulfilling its responsibilities by providing an independent review and supervision of financial reporting, by satisfying themselves as to the effectiveness of the risk management and internal control systems of the Company.

The Audit Committee has reviewed with the management the accounting policies and practices adopted by the Group and discussed auditing, risk management, internal control systems and financial reporting matters, including the review of the unaudited consolidated financial statements for the Period.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has complied with the Corporate Governance Code set out in Appendix 14 to the Listing Rules (the "CG Code") throughout the Period, save for the following deviations:

CODE PROVISION A.2.1

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

CODE PROVISION A.4.1

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

CODE PROVISION C.2.5

Pursuant to code provision C.2.5 of the CG Code, the Company should have an internal audit function. However, there is no internal audit department in the Company. The Directors have conducted an annual review on the need for an internal audit department. Given the Group's simple structure, as opposed to a separate internal audit department, the Board is directly responsible for risk management and internal control systems of the Group and for the review of its effectiveness.

CODE PROVISION E.1.2

Pursuant to code provision E.1.2 of the CG Code, the Chairman of the Board should attend the annual general meeting. However, the annual general meeting held on 1 June 2016 was chaired by Mr. Li John Zongyang, an independent non-executive Director. The Chairman of the Board was unable to attend the annual general meeting as he was engaged in other commitments of the Company.

EVENTS AFTER THE REPORTING PERIOD

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

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

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