



PARADISE ENTERTAINMENT LIMITED

滙彩控股有限公司\*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1180)

2010

*Interim Report*

\* For identification purposes only

## RESULTS

The board of directors (the “Board”) of Paradise Entertainment Limited (the “Company”) hereby announces the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2010 together with comparative figures for the corresponding period in 2009 as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT

		<b>Unaudited</b>	
		<b>Six months ended 30 June</b>	
	Notes	<b>2010</b>	2009
		<b>HK\$'000</b>	HK\$'000
<b>Turnover</b>	3	<b>170,590</b>	140,351
Cost of sales and services		<b>(113,244)</b>	(105,927)
Gross profit		<b>57,346</b>	34,424
Other operating income		<b>2,949</b>	1,553
Marketing, selling and distribution costs		<b>(40,931)</b>	(18,965)
Research and development cost		<b>–</b>	(1,363)
Impairment loss for doubtful debts	4	<b>(40)</b>	(115)
Administrative expenses		<b>(44,247)</b>	(44,646)
Loss from operations	5	<b>(24,923)</b>	(29,112)
Finance costs		<b>(12,220)</b>	(9,857)
(Loss) gain on derecognition of derivative financial instruments		<b>(1,278)</b>	1,302
<b>Loss before tax</b>		<b>(38,421)</b>	(37,667)
Income tax expenses	7	<b>–</b>	–
<b>Loss for the period</b>		<b>(38,421)</b>	(37,667)
Attributable to:			
Owners of the Company		<b>(38,420)</b>	(37,662)
Non-controlling interests		<b>(1)</b>	(5)
		<b>(38,421)</b>	(37,667)
Loss per share (HK cents)	8		
– Basic		<b>(6.77)</b>	(9.58)
– Diluted		<b>N/A</b>	N/A

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited	
	Six months ended 30 June	
	2010	2009
	HK\$'000	HK\$'000
Loss for the period	<b>(38,421)</b>	(37,667)
Other comprehensive income		
Net gain recognised directly in equity		
Exchange translation differences	<b>817</b>	2
Total comprehensive income for the period, net of tax	<b>(37,604)</b>	(37,665)
Total comprehensive income attributable to:		
Owners of the Company	<b>(37,604)</b>	(37,659)
Non-controlling interests	<b>-</b>	(6)
	<b>(37,604)</b>	(37,665)

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		<b>Unaudited 30 June 2010 HK\$'000</b>	Audited 31 December 2009 HK\$'000
	Notes		
<b>Non-current assets</b>			
Property, plant and equipment		<b>141,581</b>	154,574
Deposit paid for acquisition of a subsidiary		<b>7,800</b>	7,800
		<b>149,381</b>	162,374
<b>Current assets</b>			
Inventories		<b>1,188</b>	21
Debtors, deposits and prepayments	9	<b>34,880</b>	32,398
Bank and cash balances		<b>123,324</b>	44,853
		<b>159,392</b>	77,272
<b>Current liabilities</b>			
Creditors and accrued charges	10	<b>66,924</b>	62,710
Amounts due to directors		<b>1,744</b>	6,508
Amount due to a related party		<b>2,106</b>	2,106
Other borrowings			
– due within one year	11	<b>15,252</b>	58,515
Obligations under finance leases			
– due within one year	12	<b>3,406</b>	249
Current tax liabilities		<b>2,365</b>	2,410
		<b>91,797</b>	132,498
<b>Net current assets (liabilities)</b>		<b>67,595</b>	(55,226)
<b>Total assets less current liabilities</b>		<b>216,976</b>	107,148

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Notes	<b>Unaudited 30 June 2010 HK\$'000</b>	Audited 31 December 2009 HK\$'000
<b>Non-current liabilities</b>			
Other borrowings			
– due after one year	11	–	9,200
Convertible loans			
– due after one year	13	<b>145,446</b>	66,214
		<b>145,446</b>	75,414
<b>Net assets</b>			
		<b>71,530</b>	31,734
<b>Capital and reserves</b>			
Share capital	14	<b>84,344</b>	48,971
Reserves		<b>(12,864)</b>	(17,287)
Equity attributable to owners of the Company		<b>71,480</b>	31,684
Non-controlling interests		<b>50</b>	50
<b>Total equity</b>		<b>71,530</b>	31,734

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2010</b>	2009
	<b>HK\$'000</b>	HK\$'000
Net cash used in operating activities	<b>(24,072)</b>	(12,619)
Net cash generated from (used in) investing activities	<b>3,437</b>	(2,238)
Net cash generated from financing activities	<b>99,341</b>	20,515
Net increase in cash and cash equivalents	<b>78,706</b>	5,658
Effect of foreign exchange rate changes	<b>(235)</b>	(1)
Cash and cash equivalents at beginning of the period	<b>44,853</b>	43,954
Cash and cash equivalents at end of the period	<b>123,324</b>	49,611
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS, represented by Bank and cash balances	<b>123,324</b>	49,611

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For six months ended 30 June 2010

	Attributable to owners of the Company							Sub-total HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000	Option reserve HK\$'000	Convertible loans reserve HK\$'000	Translation reserve HK\$'000	Accumulated losses HK\$'000			
At 1 January 2010	48,971	548,914	88,643	65,135	13,457	19,456	(752,892)	31,684	50	31,734
Loss for the period	-	-	-	-	-	-	(38,420)	(38,420)	(1)	(38,421)
Translation difference recognised directly in equity	-	-	-	-	-	816	-	816	1	817
Total comprehensive income for the period	-	-	-	-	-	816	(38,420)	(37,604)	-	(37,604)
Recognition of equity component of convertible loans	-	-	-	-	30,645	-	-	30,645	-	30,645
Issue of shares on conversion of convertible loans	35,373	28,170	-	-	(9,742)	-	-	53,801	-	53,801
Redemption of convertible loans	-	-	-	-	(9,885)	-	2,839	(7,046)	-	(7,046)
At 30 June 2010	84,344	577,084	88,643	65,135	24,475	20,272	(788,473)	71,460	50	71,530

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For six months ended 30 June 2009

	Attributable to owners of the Company								Non-controlling interests	Total equity
	Share capital	Share premium	Special reserve	Option reserve	Convertible loans	Translation reserve	Accumulated losses	Sub-total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2009, as previously reported	38,659	526,753	88,643	72,537	4,044	19,642	(551,128)	199,150	-	199,150
Prior year adjustments							(39,679)	(39,679)		(39,679)
At 1 January 2009, as restated	38,659	526,753	88,643	72,537	4,044	19,642	(590,807)	159,471	-	159,471
Loss for the period	-	-	-	-	-	-	(37,662)	(37,662)	(5)	(37,667)
Translation difference recognised directly in equity	-	-	-	-	-	3	-	3	(1)	2
Total comprehensive income for the period	-	-	-	-	-	3	(37,662)	(37,659)	(6)	(37,665)
Capital injection from a non-controlling shareholder of a subsidiary	-	-	-	-	-	-	-	-	55	55
Transfer of share option reserve upon the lapse of share options	-	-	-	(4,684)	-	-	4,684	-	-	-
Recognition of equity component of convertible loans	-	-	-	-	16,334	-	-	16,334	-	16,334
Issue of shares on conversion of convertible loans	10,312	22,161	-	-	(5,622)	-	-	26,851	-	26,851
Redemption of convertible loans	-	-	-	-	(1,299)	-	(2,248)	(3,547)	-	(3,547)
At 30 June 2009	48,971	548,914	88,643	67,853	13,457	19,645	(626,033)	161,450	49	161,499



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, estimate and assumption 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 used in condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual audited financial statements for the year ended 31 December 2009 with addition for the following amendments and interpretations which are relevant to the Group's operation and are adopted for the first time by the Group for accounting period beginning 1 January 2010:

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 (Amendment)	Eligible Hedged Items
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners

The adoption of the new and revised standards, amendments or interpretations had no material effect on how the result and financial position of the Group for the current or prior accounting period have been prepared and presented. Accordingly, no prior period adjustment has been required.

## (2) Accounting policies (continued)

The Group has not early adopted the following new standards, amendments and interpretations that have been issued but are not yet effective:

HKFRSs (Amendments)	Improvements to HKFRSs 2010 <sup>5</sup>
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters <sup>2</sup>
HKFRS 9	Financial Instruments <sup>4</sup>
HKAS 24 (Revised)	Related Party Disclosures <sup>3</sup>
HKAS 32 (Amendment)	Classification of Rights Issues <sup>1</sup>
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement <sup>3</sup>
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments <sup>2</sup>

1. Effective for annual periods beginning on or after 1 February 2010

2. Effective for annual periods beginning on or after 1 July 2010

3. Effective for annual periods beginning on or after 1 January 2011

4. Effective for annual periods beginning on or after 1 January 2013

5. Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate

## (3) Turnover and segment information

For management purposes, the Group is organized into business units based on their products and services, and has two reportable operating segments as follows:

Biopharmaceutical	–	Research, development and sales of biopharmaceutical products
Gaming	–	Provision of management services, development, provision and sales of electronic gaming system

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

### (3) Turnover and segment information (continued)

The following tables present revenue and profit information regarding the Group's operating segments for the six months ended 30 June 2010 and 2009, respectively.

	Unaudited							
	Six months ended 30 June							
	Gaming		Biopharmaceutical		Others		Total	
2010	2009	2010	2009	2010	2009	2010	2009	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Revenue								
Revenue from external customers	113,074	87,503	57,516	52,848	-	-	170,590	140,351
Segment results	(14,688)	(12,046)	523	(5,545)	850	8,800	(13,315)	(8,791)
Unallocated operating income							-	45
Unallocated corporate expenses							(11,608)	(20,366)
Finance costs							(12,220)	(9,857)
(Loss) Gain on derecognition of derivative financial instruments							(1,278)	1,302
Loss before tax							(38,421)	(37,667)
Income tax expenses							-	-
Loss for the period							(38,421)	(37,667)

	Unaudited							
	Six months ended 30 June							
	Gaming		Biopharmaceutical		Others		Total	
2010	2009	2010	2009	2010	2009	2010	2009	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
<b>Other information</b>								
Capital expenditure	3,308	3,181	4	3	-	1	3,312	3,185
Depreciation	12,367	12,307	105	3,526	193	244	12,665	16,077

#### (4) Impairment loss for doubtful debts

	Unaudited Six months ended 30 June	
	2010 HK\$'000	2009 HK\$'000
Impairment loss for amount due from an associate	40	115

#### (5) Loss from operations

Loss from operations has been arrived at after charging (crediting):

	Unaudited Six months ended 30 June	
	2010 HK\$'000	2009 HK\$'000
Staff cost		
– Directors' remunerations (note 6)	3,349	3,343
– Other staffs		
– Salaries and other benefits	16,225	12,751
– Retirement benefit scheme contributions	336	311
	19,910	16,405
Consultancy fee	2,024	1,338
Depreciation	12,665	16,077
(Gain) Loss on disposal of property, plant and equipment	(2,697)	2,606
Operating lease rentals paid in respect of rented premises	2,582	2,927

## (6) Directors' remunerations

The remunerations of directors during the period were as follows:

	Unaudited Six months ended 30 June	
	2010 HK\$'000	2009 HK\$'000
Directors' fees	180	180
Salaries and other benefits	2,437	2,437
Retirement benefit scheme contributions	12	6
Accommodation benefits	720	720
	<b>3,349</b>	<b>3,343</b>

The remunerations of directors are determined by the remuneration committee having regard to the performance of individuals and market trends.

## (7) Income tax expenses

No provision for Hong Kong Profits Tax or PRC Enterprise Income Tax has been made in the financial statements since the Group has no assessable profit for the period.

There is no movement in provision for deferred tax during the six months ended 30 June 2010. No deferred tax asset has been recognised in respect of tax losses as the recoverability of these potential deferred tax assets is uncertain.

## (8) Loss per share

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

	Unaudited Six months ended 30 June	
	2010 HK\$'000	2009 HK\$'000
<b>Loss</b>		
Loss for the purpose of calculating basic loss per share	<b>(38,420)</b>	<b>(37,662)</b>

## (8) Loss per share (continued)

	Unaudited Six months ended 30 June	
	2010	2009 (restated)
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	<b>567,246,796</b>	393,029,709

As the effect of all potential ordinary shares are anti-dilutive for the periods ended 30 June 2010 and 2009, no diluted loss per share was presented in both period.

On 29 September 2009, every 10 shares of HK\$0.01 each in the issued and unissued share capital of the Company were consolidated into 1 share of HK\$0.10. The comparative figure of weighted average number of shares for 2009 was revised accordingly.

## (9) Debtors, deposits and prepayments

	<b>Unaudited 30 June 2010 HK\$'000</b>	Audited 31 December 2009 HK\$'000
The ageing analysis of trade debtors is as follows:		
Within 30 days	<b>15,492</b>	15,232
31 – 60 days	<b>7,973</b>	5,907
61 – 90 days	<b>434</b>	1,279
Over 90 days	<b>–</b>	–
	<b>23,899</b>	22,418
Other debtors, deposits and prepayments	<b>10,981</b>	9,980
	<b>34,880</b>	32,398

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 and biopharmaceutical industry practice in Macau and the PRC respectively.

## (10) Creditors and accrued charges

	<b>Unaudited 30 June 2010 HK\$'000</b>	Audited 31 December 2009 HK\$'000
The ageing analysis of trade creditors is as follows :		
Within 30 days	<b>5,858</b>	7,356
31 – 60 days	<b>5,273</b>	2,713
61 – 90 days	<b>630</b>	3,605
91 – 180 days	<b>2,718</b>	5,703
More than 180 days	<b>2,125</b>	249
	<b>16,604</b>	19,626
Value added tax payable	<b>8,336</b>	8,413
Other creditors and accrued charges	<b>41,984</b>	34,671
	<b>66,924</b>	62,710

## (11) Other borrowings

The terms of repayment of other borrowings are analysed as follows:

	<b>Unaudited 30 June 2010 HK\$'000</b>	Audited 31 December 2009 HK\$'000
Unsecured	<b>15,252</b>	67,715
Carrying amount repayable:		
On demand or within one year	<b>15,252</b>	58,515
More than one year, but not exceeding two years	–	9,200
More than two years, but not more than five years	–	–
	<b>15,252</b>	67,715
Less: Amounts due for settlement within one year (shown under current liabilities)	<b>(15,252)</b>	(58,515)
Amounts due for settlement after one year	–	9,200

Other borrowings are denominated in Hong Kong dollars and are loans from independent third parties, which bear fixed interest rates ranging from 1.87% to 15% per annum.

The directors consider that the carrying amount of other borrowings approximates their fair value.



## (12) Obligations under finance leases

	Minimum lease payments		Present value of minimum lease payments	
	Unaudited 30 June 2010 HK\$'000	Audited 31 December 2009 HK\$'000	Unaudited 30 June 2010 HK\$'000	Audited 31 December 2009 HK\$'000
Within one year	3,408	256	3,406	249
More than one year, but not exceeding two years	-	-	-	-
	<b>3,408</b>	256	<b>3,406</b>	249
Less: Future finance charges	(2)	(7)	N/A	N/A
Present value of lease obligations	<b>3,406</b>	249	<b>3,406</b>	249
Less: Amounts due for settlement within one year (shown under current liabilities)			<b>(3,406)</b>	(249)
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.

### (13) Convertible Loans

- (a) On 20 January 2010, the Company entered into subscription agreements with three independent third parties. Pursuant to the subscription agreements I, II and III, the Company agreed to issue and the independent third parties agreed to subscribe the Company's convertible debentures in an aggregate principal amount of HK\$116,000,000, US\$85,500,000 (or approximately HK\$662,625,000) and US\$1,000,000 (or approximately HK\$7,750,000) respectively (the "Newly issued Convertible Debentures"). The parties are entitled to convert the principal amount in whole or in part of the principal amount of the debentures into new ordinary shares of the Company, at a conversion price of the higher of (i) the average of the Closing Price of the Shares of any three consecutive Trading Days within the sixty Trading Days immediately prior to the Conversion Date and (ii) the par value for the time being of the Shares, and at any time between the issue date of the debentures and 31 December 2014. If the debentures are not converted before 31 December 2014, they will be redeemed at par on 31 December 2014. The debentures bear interests at 8% per annum payable quarterly on or before the fifth business day of January, April, July and October in each year until their settlement date.

The subscriptions were approved by the Company's shareholders at a special general meeting held on 1 April 2010. The subscriptions for subscription agreements I and III were completed on 14 April 2010 and 20 April 2010 respectively. For the subscription agreement II, the Company has received a partial payment for HK\$88,700,000. On 21 April 2010, debentures in the sum of HK\$88,700,000 were issued accordingly. The Company agreed that the subscription shall be completed on or before 21 October 2010.

Details of the above are set out in the Company's circular dated 16 March 2010 and announcements dated 21 January 2010, 1 March 2010, 1 April 2010, 21 April 2010 and 23 April 2010.

- (b) On 30 March 2010, in connection with the Company's convertible debentures in an aggregate amount of HK\$112 million (the "Existing Convertible Debentures"), the Company executed the Supplemental Instruments to vary and amend the terms and conditions of the Existing Convertible Debentures by providing for early redemption of the Existing Convertible Debentures at the discretion of the Company. The outstanding Existing Convertible Debentures were redeemed in April 2010 accordingly.

Details of the above are set out in the Company's announcement dated 30 March 2010.

### (13) Convertible Loans (continued)

The net proceeds received from the issue of the Newly issued Convertible Debentures and the redemption payment of the Existing Convertible Debentures have been split between the liability components and equity components, as follows:

	<b>Unaudited 30 June 2010 HK\$'000</b>	Audited 31 December 2009 HK\$'000
<b>Liability components</b>		
At the beginning of the period/year	<b>66,214</b>	86,437
Liability components at date of issue	<b>179,406</b>	78,665
Interest charged	<b>8,386</b>	10,373
Interest paid	<b>(5,083)</b>	(8,655)
Redemption during the period	<b>(49,676)</b>	(73,755)
Converted into ordinary shares of the Company	<b>(53,801)</b>	(26,851)
At end of the period/year	<b>145,446</b>	66,214
<b>Equity components</b>		
At the beginning of the period/year	<b>13,457</b>	4,044
Equity components at date of issue	<b>30,645</b>	16,334
Redemption during the period	<b>(9,885)</b>	(1,299)
Converted into ordinary shares of the Company	<b>(9,742)</b>	(5,622)
At end of the period/year	<b>24,475</b>	13,457

### (13) Convertible Loans (continued)

The maturity of the liability components of the convertible loans is as follows:

	<b>Unaudited 30 June 2010 HK\$'000</b>	Audited 31 December 2009 HK\$'000
Within one year	–	–
More than one year, but not more than five years	<b>145,446</b>	66,214
	<b>145,446</b>	66,214

The interests charged for the period for the Newly issued Convertible Debentures in respect of subscription agreements I, II and III are calculated by applying effective interest rates of 12.31%, 11.71% and 11.87% respectively to the liability components since the loans were issued.

The directors estimate the carrying value of the liability components approximates its fair value as at 30 June 2010.

### (14) Share capital

	<b>Number of shares '000</b>	<b>Nominal value HK\$'000</b>
Share of HK\$0.10 each		
Authorised :		
At 1 January 2010 and 30 June 2010	10,000,000	1,000,000
Issued and fully paid :		
At 1 January 2010	489,715	48,971
Issue of shares on conversion of convertible loans	353,730	35,373
At 30 June 2010	843,445	84,344

## (15) Capital commitments

	<b>Unaudited 30 June 2010 HK\$'000</b>	Audited 31 December 2009 HK\$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of :		
Acquisition of a subsidiary	<b>5,000</b>	5,000
Acquisition of property, plant and equipment	<b>2,042</b>	1,241
	<b>7,042</b>	6,241

## (16) 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	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Consultancy fee paid to (note a & b)	-	-	-	-	108	67
Salaries and allowances (note b & e)	-	-	-	-	600	600

	Unaudited 30 June 2010 HK\$'000	Audited 31 December 2009 HK\$'000	Unaudited 30 June 2010 HK\$'000	Audited 31 December 2009 HK\$'000	Unaudited 30 June 2010 HK\$'000	Audited 31 December 2009 HK\$'000	
	Amounts due from (note c & d)	-	-	9,341	9,301	-	-
	Amounts due to (note c & e)	1,744	6,508	-	-	2,106	2,106

## **(16) Related party transactions (continued)**

Notes:

- (a) The related party is the son of a director, Mr. Shan Shiyong, alias, Sin Sai Yung.
- (b) The transactions were charged at predetermined amounts agreed between the parties involved.
- (c) The amounts are unsecured, interest free and have no fixed terms of repayment.
- (d) HK\$40,000 (30 June 2009: HK\$115,000) impairment has been made for the period for the loan made to an associate. The amount due from an associate was fully impaired.
- (e) The related party is the spouse of a director, Mr. Jay Chun.
- (f) The Group's obligations under finance leases in amount of HK\$115,000 as set out in note 12 are secured by the personal guarantee executed by a director, Mr. Jay Chun.

## **(17) Post balance sheet date events**

On 30 July 2010, Natural Noble Limited (the "Purchaser"), a wholly owned subsidiary of the Company, and Mr. Jay Chun (the "Vender") entered into an acquisition agreement pursuant to which the Vendor conditionally agreed to sell and the Purchaser conditionally agreed to purchase the patent in relation to a betting terminal system (the "Patent") at a consideration of HK\$280 million. The consideration for the Patent of HK\$280 million should be satisfied by the Purchaser as to (i) HK\$30 million in cash; and (ii) HK\$250 million by the issue of a promissory note.

## **(18) Comparative figures**

Certain comparative figures have been reclassified to conform to the current period's presentation. The new classification was considered to provide a more appropriate presentation of the financial position of the Company.

## INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2010 (2009: Nil).

## BUSINESS REVIEW AND PROSPECTS

### Turnover and Profit

The turnover of the Group for the six months ended 30 June 2010 increased from HK\$140.4 million to HK\$170.6 million, representing a period-to-period increase of approximately 21.5%. The increase in revenue was driven by strong performance in the gaming business resulting from the rise in visitation to Macau. The Group reported a loss of HK\$38.4 million for the period which is 1.9% higher than the loss for the previous corresponding period which was HK\$37.7 million.

### Gaming Business

During the first half of 2010, the Group recorded a significant growth in gaming revenue as a result of an increase in visitors to Macau.

For the six months ended 30 June 2010, the turnover of the gaming business was approximately HK\$113.1 million, compared to the figure for the last corresponding period of approximately HK\$87.5 million, it represented an increase of approximately 29.2%. Loss of the gaming business for the period was approximately HK\$14.7 million (2009: HK\$12.0 million).

### Biopharmaceutical Business

The medical reform in China has brought intense competition to the biopharmaceutical industry. In view of this, the Group has taken measures to expand its market and widen the spectrum of sales items so as to maintain stable growth of revenue.

For the six months ended 30 June 2010, the turnover of pharmaceutical business increased from HK\$52.8 million to HK\$57.5 million, representing a period-to-period increase of approximately 8.9%. Turnover increased because of a widening in the spectrum of sales items. Pharmaceutical business showed a turn from loss of approximately HK\$5.5 million to profit of approximately HK\$0.5 million as a result of effective cost control measures.

## Prospects

The Group remains optimistic about the future of Macau's gaming industry. Macau is the only city in China that permits casino gaming. The Group believes that more tourists will visit Macau and it will contribute to a notable improvement in our performance in the coming years.

The Group expects the gaming business will be a main driver of the growth of revenue in the future while the biopharmaceutical business will continue to contribute stable revenue to the Group.

## Liquidity and Financial Resources

As at 30 June 2010, the Group's borrowing, liability component of convertible loans and finance leases stood at HK\$15,252,000, HK\$145,446,000 and HK\$3,406,000 respectively, of which HK\$15,252,000, nil and HK\$3,406,000 respectively were payable within 12 months. Current liabilities of the Group decreased from HK\$132,498,000 to HK\$91,797,000, representing a decrease of approximately 30.7%. The Group's total liabilities increased from HK\$207,912,000 to HK\$237,243,000, representing an increase of approximately 14.1%. The Group's total assets increased from HK\$239,646,000 to HK\$308,773,000. The percentage of total liabilities to total assets as at 30 June 2010 stood at 76.8% which is lower than the corresponding figure of 86.8% as at 31 December 2009.

As at 30 June 2010, the cash on hand and available financial resources were sufficient for financing ongoing activities of the Group.



## Foreign Exchange Exposure

The Group's operations are primarily based in the PRC and Macau and the income derived and expenses incurred are denominated in Renminbi ("RMB") and Macau Pataca ("MOP") respectively. On the other hand, expenses of the headquarters are denominated in Hong Kong dollars ("HK\$") and are financed by funds raised in Hong Kong dollars. Due to the relatively matched position among Hong Kong, Macau and the PRC and the stability of the exchange rates between RMB and HK\$ and between MOP and HK\$, the directors do not consider specific hedges for currency fluctuation necessary.

## Charges on Group Assets

As at 30 June 2010, the assets of the Group which were subject to charges for securing obligations under finance leases comprised a motor vehicle and gaming machines with net book value amounting to approximately HK\$217,000 (31 December 2009: HK\$348,000) and HK\$3,330,000 (31 December 2009: nil) respectively.

## Organization and Staff

As at 30 June 2010, the Group had 384 (31 December 2009: 305) staff in total. Majority of the staff are marketing and promotion executives located in Macau and sales and marketing executives in China. The Group is actively seeking talent in Macau, Hong Kong and China in order to cope with the fast growing operations.

The terms of employment of the staff, executives and directors conform to normal commercial practice. Share option benefits 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 2010, 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) <sup>(1)(4)</sup>	Interests in underlying shares pursuant to equity derivatives <sup>(1)(4)</sup>	Total interests in shares/ underlying shares <sup>(4)</sup>	Approximate aggregate percentage of interests
Mr. Jay Chun	The Company	Beneficial owner/ Personal interest	1,241,600	-	43,048,800	5.10%
	The Company	Interest of controlled corporation/ Corporate interest	41,807,200 <sup>(2)</sup>	-		
Mr. Shan Shiyong, alias, Sin Sai Yung	The Company	Interest of controlled corporation/ Corporate interest	36,075,800 <sup>(3)</sup>	-	36,075,800	4.28%
Dr. Ma Xianming, alias, Ma Yin Ming	The Company	Beneficial owner/ Personal interest	672,200	190,000	862,200	0.10%

Notes:

- (1) Interests in shares and underlying shares stated above represent long positions. The equity derivatives are physically settled and unlisted.

The interests of the Directors in the underlying shares pursuant to equity derivatives represent share options granted to them pursuant to the share option scheme adopted by the Company on 15 July 2002 (the "Old Share Option Scheme") and the share option scheme adopted by the Company on 30 July 2007 (the "Existing Share Option Scheme"), details of which are set out in paragraph (ii) below.

- (2) These shares were held by August Profit Investments Limited, a company which is wholly owned by Mr. Jay Chun.
- (3) These shares were held by Best Top Offshore Limited, a company which is wholly owned by Mr. Shan Shiyong, alias, Sin Sai Yung.
- (4) On 29 September 2009, every ten shares of HK\$0.01 each in the issued and unissued share capital of the Company were consolidated into one share of HK\$0.10.

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 2010.

## (ii) Share options

The following table discloses movements in the Company's share options during the six months ended 30 June 2010 under the Old Share Option Scheme and Existing Share Option Scheme:

### Old Share Option Scheme

	Date of share options granted	Exercisable period	Exercise price per share	Number of share options			Outstanding at end of the period
				Outstanding at beginning of the period	Granted during the period	Lapsed during the period	
<b>Category:</b>							
<b>Directors</b>							
Dr. Ma Xianming, alias, Ma Yin Ming	30.11.2006	30.11.2006 to 29.11.2011	HK\$0.95	190,000	-	-	190,000
<b>Category:</b>							
<b>Employees</b>	08.05.2007	08.05.2007 to 07.05.2012	HK\$2.42	1,040,000	-	-	1,040,000
<b>Category:</b>							
<b>Consultants</b>	31.07.2006	31.07.2006 to 30.07.2011	HK\$0.91	28,000,000	-	-	28,000,000
	08.05.2007	08.05.2007 to 07.05.2012	HK\$2.42	24,300,000	-	-	24,300,000
Total				53,530,000	-	-	53,530,000
Exercisable at the end of the period							53,530,000
Weighted average exercise price (HK\$)				1.6249	-	-	1.6249

## Existing Share Option Scheme

	Date of share options granted	Exercisable period	Exercise price per share	Number of share options			Outstanding at end of the period
				Outstanding at beginning of the period	Granted during the period	Lapsed during the period	
<b>Category: Employees</b>	09.10.2007	09.10.2007 to 08.10.2012	HK\$1.80	3,600,000	-	-	3,600,000
	08.11.2007	08.11.2008 to 07.11.2012	HK\$2.12	200,000	-	-	200,000
<b>Category: Consultants</b>	09.10.2007	09.10.2007 to 08.10.2012	HK\$1.80	22,800,000	-	-	22,800,000
Total				26,600,000	-	-	26,600,000
Exercisable at the end of the period							26,600,000
Weighted average exercise price (HK\$)				1.802	-	-	1.802

## SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

Save as disclosed under the section headed "DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES" above, as at 30 June 2010, the Company had not been notified by any other 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 and as recorded in the register required to be kept under section 336 of the SFO.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2010.

## AUDIT COMMITTEE

The Audit Committee has reviewed with the management the accounting policies and practices adopted by the Group and discussed auditing, internal control and financial reporting matters, including the review of the consolidated financial statements for the six months ended 30 June 2010.

## COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions as set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2010, save for the following deviations:

### Code Provision A.2.1

Under this code provision, the roles of the chairman and chief executive officer should be separate and should not be performed by the same individual.

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. 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 the future.

### Code Provision A.4.1

Under this code provision, the 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 independent non-executive directors, whether they are appointed for a specific term or not, are subject to retirement by rotation and re-election at least every three years at the annual general meeting of the Company in accordance with the provisions of the Bye-laws of the Company, and their appointment will be reviewed when they are due for re-election.

### **Code Provision E.1.2**

Under this code provision, the chairman of the board should attend the annual general meeting.

The annual general meeting held on 4 June 2010 was chaired by Ms. Ho Suet Man, Stella, a duly appointed proxy of a shareholder, instead of Mr. Jay Chun. Mr. Jay Chun did not attend the annual general meeting as he was engaged in other commitments of the Company.

### **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 have confirmed that they have complied with the requirements set out in the Model Code during the six months ended 30 June 2010.

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

Hong Kong, 30 August 2010

*As at the date of this report, the executive directors are Mr. Jay Chun (Chairman and Managing Director), Mr. Shan Shiyong, alias, Sin Sai Yung and Dr. Ma Xianming, alias, Ma Yin Ming and the independent non-executive directors of the Company are Mr. Frank Hu, Mr. Li John Zongyang and Mr. Kuan Hin Meng.*