PARADISE

PARADISE ENTERTAINMENT LIMITED
滙彩控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1180)

Annual Report 2013

* For identification purpose only

Contents

Corporate Information

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

PRINCIPAL REGISTRAR

MUFG Fund Services (Bermuda) Limited
(formerly known as "Butterfield Fulcrum Group (Bermuda) Limited")
26 Burnaby Street
Hamilton HM11
Bermuda

DIRECTORS

Mr. Jay CHUN *(Chairman and Managing Director)*
Mr. SHAN Shiyong, alias, SIN Sai Yung
Mr. HU Liming
Mr. Frank HU*
Mr. LI John Zongyang*
Mr. KUAN Hin Meng*

* *Independent Non-executive Directors*

COMPANY SECRETARY

Ms. Ho Suet Man Stella, *CPA*

SOLICITORS

DLA PIPER HONG KONG
17th Floor, Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

AUDITORS

PAN-CHINA (H.K.) CPA LIMITED
Certified Public Accountants
11/F., Hong Kong Trade Centre
161–167 Des Voeux Road Central
Hong Kong

PRINCIPAL OFFICE

Unit C, 19/F., Entertainment Building
30 Queen's Road Central
Hong Kong

PRINCIPAL BANKERS

Wing Lung Bank Limited
Dah Sing Bank, Limited
The Hongkong and Shanghai Banking Corporation Limited

HONG KONG SHARE REGISTRAR

Tricor Secretaries Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

Chairman's Statement

On behalf of the Board of Directors, I am delighted to present the annual report and the audited consolidated financial statements of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2013.

BUSINESS REVIEW

2013 marked two important milestones in the history of the Group. Firstly, the Group has extended the casino services to Waldo Casino and the Live Multi-Game Terminals Zone ("LMG Terminals Zone") of Lisboa Casino in Macau, leading the Group to successfully expand its market share in Macau. Secondly, with the launch of the Live Multi-Game ("LMG") terminals into overseas markets including Australia and the US, the Group is on pace to capture the huge opportunity in the overseas gaming market, especially in Australia and the US.

Revenue of the Group for the year ended 31 December 2013 surged from HK$728,954,000 to HK$1,030,455,000, representing an increase of 41.4% as compared with last year. The increase in revenue was mainly attributable to the growth in revenue from casino services, of which the revenue from Waldo Casino was first recognized in 2013 and the revenue generated by Casino Kam Pek Paradise for the year ended 31 December 2013 increased by 20.9%. That compares with the growth rate of just around 18.6% of the gaming industry in Macau, Casino Kam Pek Paradise actually outperformed the overall gaming industry.

Profit of the Group decreased from HK$143,309,000 to HK$103,778,000, representing a decrease of 27.6% as compared with last year. The decrease in profit was due to (a) the increase in cost of sales and services of Waldo Casino and the LMG Terminals Zone of Lisboa Casino, a casino the Group has been supplying LMG terminals and responsible for its renovation expenditure, (b) the amortization of the US patents of HK$29,680,000 resulting from the acquisition of patents and patent applications in relation to a betting terminal system in the US in June 2013, and (c) the inclusion of the gain on disposal of the pharmaceutical business of HK$20,908,000 in 2012. The EBITDA of the Group decreased from HK$220,365,000 to HK$197,716,000 as compared to last year.

The Board is confident that both the revenue from the provision of casino services to Waldo Casino and the LMG Terminals Zone of Lisboa Casino and the sales and revenue sharing of LMG terminals will increase in the future while LMG terminals will be one of the revenue drivers of the Group.

The Group understands our investors and shareholders should share our growth and success. To thank for the continual support and commitment of our shareholders over the years, the Board decided to recommend a final dividend of HK$0.05 per share.

Provision of Casino Services

For the year ended 31 December 2013, revenue generated by the provision of casino services has contributed 83.4% of the total revenue.

The Group has been demonstrating its strength in the provision of casino services to the gaming industry of Macau by providing the services to Casino Kam Pek Paradise since 2007. While casino services has always been the focus in the business development of the Group, we have leveraged on our wealth of experience and effective business model to start providing a vast array of casino services, such as sales, marketing, promotion, player development and referral, to Waldo Casino and the LMG Terminals Zone of Lisboa Casino in 2013. The Group believes that the provision of casino services to Waldo Casino and the LMG Terminals Zone of Lisboa Casino would further expand the Group's business and market share in Macau, thus boosting the revenue of the Group.

Chairman's Statement

In Macau, the mass-market has emerged as the engine of gaming revenue growth in recent years, and the mass-market gaming experience offered by Casino Kam Pek Paradise, Waldo Casino and the LMG Terminals Zone of Lisboa Casino fittingly follows this trend in Macau's gaming market and caters to the rising demand from gamers at home and abroad. The Group firmly believes that its mass-market oriented strategy will further enhance the existing profile and patron base of the Group in Macau by providing domestic and foreign gamers with diverse and novel gaming experience.

Sales and Revenue Sharing of LMG Terminals

For the year ended 31 December 2013, revenue generated by the sales and revenue sharing of LMG terminals has contributed 16.6% of the total revenue.

The number of casinos, the demand for electronic gaming machines and the market for the gaming industry in the Australian and US market has been able to speak for itself. By opening up the overseas markets including Australia and the US, we believe the income base of the Group can be further enlarged. Therefore, in June 2013, the Group completed the acquisition of certain patents and patent applications in relation to a betting terminal system in the US and also completed the capital reorganization of the Group, unlocking the potential growth for the Group.

The Group has successfully launched its deployment of LMG terminals into the Australian and US markets and such move was well received. In addition, the Group has seen strong interest and demand for its LMG terminals from other overseas casinos including those in Australia and the US. Given the huge opportunity in overseas markets including Australia and the US and that the contributions from overseas sales and revenue sharing has just started in 2013, it is expected that the contributions from the sales and revenue sharing of LMG terminals will grow significantly and become one of the essential profit stream in the coming years.

The Group has also been taking the suite of products internationally with recent placements of LMG terminals in South East Asian countries including Malaysia, Thailand, and Cambodia.

PROSPECTS

Our outlook for 2014 is going to be promising. As the total number of visitor arrivals in Macau continued to increase to a record high of 29,324,822 in 2013, up by 4% year-on-year, and then totaled 2,503,609 in January 2014, up by 8% year-on-year, attributable to an increase in visitors from Mainland China according to the information from the Statistics and Census Service of the Macau Government, the gaming industry is expected to remain on a growth path.

Taking into account that the Group has extended its casino services from Casino Kam Pek Paradise to Waldo Casino and the LMG Terminals Zone of Lisboa Casino in Macau, we have further expanded our market share in Macau, and the revenue from the provision of casino services will definitely increase driven by the uptrend of visitor arrivals in Macau.

In addition, along with the expansion into overseas market by selling and leasing LMG terminals, the Group believes the overseas markets including Australia and the US will see tremendous supplemental revenue growth from the LMG terminals and the organic demand from this new as well as underserved player base will be getting larger. Hence, the Board is confident in delivering a resilient order book and revenue for the year 2014.

Liquidity and Financial Resources

As at 31 December 2013, the Group's finance lease and promissory note stood at HK$303,000 and HK$126,170,000, respectively, of which HK$116,000 and nil, respectively, were payable within 12 months. Current liabilities of the Group increased from HK$104,205,000 to HK$168,678,000, representing an increase of approximately 61.9%. The Group's total liabilities increased from HK$204,242,000 to HK$307,035,000, representing an increase of approximately 50.3%.

As at 31 December 2013, the cash on hand and available financial resources were sufficient for financing ongoing activities of the Group.

Gearing Ratio

The Group's gearing ratio (defined as the ratio of total outstanding interest bearing borrowing less bank and cash balances to total assets (excluding bank and cash balances)) as at 31 December 2013 was nil (2012: nil).

Foreign Exchange Exposure

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

Charges on Group Assets

As at 31 December 2013, the assets of the Group which were subject to charges for securing obligations under finance lease comprised a motor vehicle with a net book value amounting to approximately HK$324,000 (2012: HK$458,000).

Organization and Staff

The Group had 368 staff (2012: 432) as at 31 December 2013. A majority of the staff 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. Share options are granted to and included in the terms of selected senior executives of the Company.

APPRECIATION

On behalf of the Board of Directors, I would like to thank our shareholders, bankers, professional parties and customers for their continuous support. I would also like to thank our executives and staff for their dedication and professionalism.

By Order of the Board
Paradise Entertainment Limited
Jay Chun
Chairman and Managing Director

Hong Kong, 27 March 2014

Profile of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Jay Chun, aged 49, Chairman and Managing Director of the Company, is a talented entrepreneur and manager. He has a solid background in information technology and marketing and over 23 years of management and investment experience. He holds a Master's degree in business administration from the W.P. Carey School of Business of the Arizona State University and a Bachelor's degree in computer science from the Shanghai University of Science and Technology. Mr. Chun joined the Group and was appointed as the Managing Director of the Company in January 1999 and was subsequently appointed as the Chairman of the Board in July 2002.

Mr. Shan Shiyong, alias, Sin Sai Yung, aged 50, Executive Director and former Chairman of the Company, is an entrepreneur with strong business vision. After completing his studies in economics at the University of Agriculture, Shandong, he started his own business in manufacturing and export. Mr. Shan subsequently diversified to trading, property development and venture capital investment in China. He has over 26 years of dedicated business, investment and management experience at the owner level. Mr. Shan joined the Group and was appointed as an Executive Director in October 1998. He became the Chairman of the Company in May 1999 and resigned from Chairmanship in July 2002.

Mr. Hu Liming, aged 49, was appointed as an Executive Director on 30 November 2010. Mr. Hu is currently the Managing Director of Standind (Shanghai) Co. Ltd. and has over 23 years of experience in corporate management, business development as well as sales and marketing. Mr. Hu obtained his Bachelor's degree in engineering from Shanghai University of Science and Technology.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Frank Hu, aged 51, is a seasoned banker and businessman with over 26 years of experience. He holds a Bachelor's degree in politics from New York University and is currently an executive director of a European Bank in Hong Kong. He joined the Group in July 1999.

Mr. Li John Zongyang, aged 58, has rich and versatile background in the financial, business and corporate environment in the Asia-Pacific region. Before coming back to Asia, Mr. Li had worked for 10 years with Framlington Investment Management Company Limited, a leading investment management company in London, where he served as a Senior Fund Manager and the Head of the Asia Pacific region. Mr. Li had served as the Chief Executive Officer of several reputable companies. Mr. Li holds a Bachelor's degree in economics from Peking University and a Master's degree in business administration from Middlesex University Business School in London. Mr. Li joined the Group in September 2007.

Mr. Kuan Hin Meng, aged 55, is currently engaged in the trading of jewellery, pawn–broking and investment and has over 33 years of experience in investment and management. Mr. Kuan joined the Group in June 2010.

Profile of Directors and Senior Management

SENIOR MANAGEMENT

Ms. Feng Yi, Jenny, aged 49, is the Group's Casino General Manager. Ms. Feng holds a Bachelor's degree in computer science from Shanghai University of Science and Technology. Ms. Feng has extensive experience in managing gaming business. Ms. Feng is the spouse of Mr. Jay Chun and she joined the Group in 2006.

Ms. Zhao Yi, aged 36, is the Group's Marketing Director and Chief Operating Officer of the electronic gaming business. Ms. Zhao holds a Bachelor's degree in marketing from the Shanghai University of Finance and Economics. Ms. Zhao has more than 11 years of experience in marketing. Ms. Zhao joined the Group in 2007.

Ms. Ho Suet Man Stella, aged 42, is the Group's Chief Financial Officer and Company Secretary. Ms. Ho holds a Bachelor's degree in accountancy from the Hong Kong Polytechnic, now known as Hong Kong Polytechnic University and is an associate member of the Hong Kong Institute of Certified Public Accountants. Ms. Ho has extensive years of experience in auditing, finance and company secretarial matters. Ms. Ho joined the Group in September 2007.

Directors' Report

The directors of the Company (the "Directors") present the annual report and the audited consolidated financial statements of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") for the year ended 31 December 2013.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in the development, supply and sales of electronic gaming systems and the provision of casino management services.

RESULTS AND FINANCIAL POSITION

The results of the Group for the year ended 31 December 2013 are set out in the consolidated statement of profit or loss and consolidated statement of other comprehensive income on pages 25 and 26, respectively.

The state of the Group's affairs as at 31 December 2013 is set out in the consolidated statement of financial position on pages 27 and 28.

DIVIDEND

No dividend has been paid or declared by the Company during the year ended 31 December 2013.

	2013 **HK$'000**	2012 HK$'000
Proposed final dividend of HK$0.05 (2012: nil) per ordinary share	**53,199**	–

The Board has resolved to recommend payment of a final dividend for the year ended 31 December 2013 of HK$0.05 per share (2012: nil) which is subject to shareholders' approval at the forthcoming annual general meeting of the Company to be held on Friday, 13 June 2014.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 20 June 2014 to 24 June 2014 (both dates inclusive), during which period, no transfer of shares can be registered. In order to qualify for the final dividend, all transfers accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on 19 June 2014. The final dividend is expected to be distributed on or about 15 July 2014 to shareholders whose names appear on the Register of Members of the Company as at the close of business on 24 June 2014.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in note 16 to the consolidated financial statements.

CAPITAL REORGANISATION

At a special general meeting of the Company held on 3 June 2013, resolutions in respect of capital reorganisation were passed by shareholders of the Company by way of poll (the "Capital Reorganisation"). The Capital reorganisation comprised share consolidation, capital reduction, share premium reduction and share subdivision. Immediately upon the Capital Reorganisation becoming effective on 19 June 2013, the authorised share capital of the Company was HK$1,000,000,000 divided into 1,000,000,000,000 shares of HK$0.001 each and 315,144,477 shares were in issue.

Immediately upon the Capital Reorganisation becoming effective, board lot size of the shares for trading on the Stock Exchange changed from 20,000 shares to 4,000 shares.

The details of the Capital Reorganisation are disclosed in the Company's announcements dated 7 January 2013, 28 February 2013, 18 March 2013, 30 April 2013, 8 May 2013, 3 June 2013 and 19 June 2013 and a circular dated 9 May 2013.

SHARE CAPITAL

Details of changes in the Company's share capital during the year are set out in note 27 to the consolidated financial statements and the section headed "Capital Reorganisation" above.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 29 and in note 28 to the consolidated financial statements.

DIRECTORS AND SERVICE CONTRACTS

The board of directors of the Company (the "Board") during the year and up to the date of this report were:

Executive directors:
Mr. Jay Chun, Chairman and Managing Director (alternate director to Mr. Shan Shiyong)
Mr. Shan Shiyong, alias, Sin Sai Yung
Mr. Hu Liming

Independent non-executive directors:
Mr. Frank Hu
Mr. Li John Zongyang
Mr. Kuan Hin Meng

The biographical details of the Directors and senior management of the Group are set out on pages 6 and 7.

Directors' Report

In accordance with the Company's Bye-Laws, Mr. Jay Chun and Mr. Li John Zongyang will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Each of Mr. Jay Chun and Mr. Li John Zongyang does not have a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

All independent non-executive Directors are not appointed for a specific term but are subject to retirement by rotation in accordance with the Company's Bye-Laws.

The Company has received from each of its independent non-executive Directors an annual confirmation of his independence pursuant to rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Company considered them to be independent as at the date of this report.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

On 30 July 2010, the Group entered into an agreement with Mr. Jay Chun, the Chairman and an executive Director, for the acquisition of a patent in relation to a betting terminal system at a consideration of HK$280,000,000, with (i) HK$30,000,000 satisfied in cash and (ii) HK$250,000,000 satisfied by the issue of a promissory note with a principal value of HK$250,000,000, the details of which are disclosed in notes 17 and 25 to the consolidated financial statements.

On 2 November 2012, the Group entered into another agreement with Mr. Jay Chun for the acquisition of several patents and patent applications in the United States of America in relation to certain technological know-how applied in a computerized betting terminal system at a total consideration of HK$740,000,000, with (i) HK$60,000,000 to be satisfied in cash; (ii) HK$200,000,000 to be satisfied by the issue of a promissory note with a principal value of HK$200,000,000; and (iii) HK$480,000,000 to be satisfied by the issue of consideration shares. The details of the acquisition were disclosed in the Company's announcements dated 7 January 2013, 28 February 2013, 18 March 2013, 30 April 2013, 8 May 2013, 3 June 2013 and 19 June 2013 and a circular dated 9 May 2013. Finally the acquisition was approved by the shareholders of the Company at the special general meeting held on 3 June 2013 and the acquisition was completed on 19 June 2013.

Saved as disclosed above, no contract of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly and indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 31 December 2013, 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 (the "Stock Exchange") 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:

Name of 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	124,160	–	629,820,880	61.44%
	The Company	Interest of controlled corporation	629,696,720(2)	–		
Mr. Shan Shiyong, alias, Sin Sai Yung	The Company	Interest of controlled corporation	26,097,580(3)	–	26,097,580	2.55%

Notes:

(1) All interests in shares stated above are of par value 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, 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 corporations (within the meaning of Part XV of the SFO) as at 31 December 2013.

SHARE OPTIONS HELD BY DIRECTORS

The share option scheme of the Company adopted on 15 July 2002 (the "Old Share Option Scheme") expired on 14 July 2007. On 30 July 2007, the Company adopted a new share option scheme (the "Existing Share Option Scheme") as a result of the expiration of the Old Share Option Scheme.

Particulars of the Old Share Option Scheme and the Existing Share Option Scheme are set out in note 29 to the consolidated financial statements.

The Directors did not hold any outstanding share options granted under any share option scheme during the year.

Existing Share Option Scheme

No options were granted to the Directors under the Existing Share Option Scheme during the year.

Nil (2012: nil) has been charged to the consolidated statement of profit or loss in respect of the value of options granted to the Directors during the year.

As at the date of this report, the total number of options available for issue under the Existing Share Option Scheme is 91,514,447 options, representing 10% of the shares of the Company in issue as at the date of refreshment of the scheme mandate limit on 28 June 2013.

For details of the options held by other participants, please refer to note 29 to the consolidated financial statements.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from the share option schemes disclosed under the section headed "Share Options Held by Directors" and the contracts disclosed under the section headed "Directors' Interests in Contracts of Significance" above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate. In addition, none of the Directors, or their spouse or children under the age of 18 had any right to subscribe for the securities of the Company or had exercised any such right during the year.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 31 December 2013, so far as was known to the Directors, the interests and short positions of the persons or corporations, other than Directors and chief executive of the Company, in the shares or underlying shares of the Company which have been 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 by the Company under section 336 of the SFO, were as follows:

Name	Total interests in shares[1]	Approximate percentage of interests
August Profit Investments Limited[2]	629,696,720	61.42%

Notes:

(1) All interests in shares stated above are of par value HK$0.001 each and represent long positions.

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

Save as disclosed above, as at 31 December 2013, the Company had not been notified of any other person 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 by the Company under section 336 of the SFO.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2013, the aggregate amount of turnover attributable to the Group's five largest customers accounted for approximately 96.1% of the Group's total turnover and the turnover attributable to the Group's largest customer represented approximately 71.3% of the Group's total turnover.

For the year ended 31 December 2013, the aggregate amount of cost of sales attributable to the Group's five largest suppliers accounted for approximately 77.9% of the Group's total cost of sales and the cost of sales attributable to the Group's largest supplier represented approximately 33.7% of the Group's total cost of sales.

None of the Directors, their associates or any shareholders (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) has any interest in any of the Group's five largest customers or suppliers.

CONVERTIBLE SECURITIES, WARRANTS, OR SIMILAR RIGHTS

Other than the share option schemes disclosed under the section headed "Share Options Held by Directors", the Company had outstanding convertible loans and had issued warrants during the year. For details of the convertible loans and warrants issued, please refer to note 24 and note 28 respectively to the consolidated financial statements. Save as disclosed, the Company had no outstanding convertible securities or other similar rights as at 31 December 2013.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the year.

CONNECTED PARTY TRANSACTIONS

Some of the related party transactions set out in note 34 to the financial statements constituted "connected transactions" or "continuing connected transactions" within the meaning of the Listing Rules, however, such transactions are exempt from all the reporting, announcement and independent shareholders' approval requirements set out in Chapter 14A of the Listing Rules, except for the Group's acquisition of certain patents and patent applications from Mr. Jay Chun (the Chairman and an executive Director), the details of which are set out under the section headed "Directors' Interests in Contracts of Significance". Such acquisition is subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules. The Company made announcements on 7 January 2013, 28 February 2013, 18 March 2013, 30 April 2013, 8 May 2013, 3 June 2013 and 19 June 2013 and a circular dated 9 May 2013. Finally the acquisition was approved by the shareholders of the Company at the special general meeting held on 3 June 2013 and the acquisition was completed on 19 June 2013.

Directors' Report

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-Laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to the existing shareholders.

CORPORATE GOVERNANCE

In the opinion of the Board, the Company has complied with the code provisions as set out in the Corporate Governance Code (the "Code") as contained in Appendix 14 to the Listing Rules throughout the year ended 31 December 2013 except for certain deviations. For further information on the Company's corporate governance practices and details of the deviations, please refer to the Corporate Governance Report on pages 16 to 22.

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (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 had complied with the requirements set out in the Model Code during the year.

DONATIONS

Donations made by the Group during the year amounted to HK$126,000 (2012: HK$556,000).

CHANGES OF DIRECTORS' INFORMATION

Below are the changes of Director's information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

The remuneration payable to Mr. Jay Chun and Mr. Shan Shiyong, alias, Sin Sai Yung, both of them are executive Directors, comprises basic salary and discretionary bonus. The remuneration of Mr. Chun and Mr. Shan per annum have been increased from HK$10,792,000 and HK$10,725,000, respectively, for the year ended 31 December 2012 to HK$13,225,000 and HK$13,125,000, respectively, for the year ended 31 December 2013.

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

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors of the Company, as at the date of this report, there is sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

EVENTS AFTER THE REPORTING PERIOD

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

AUDITORS

A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint PAN-CHINA (H.K.) CPA LIMITED as the auditors of the Company.

On behalf of the Board

Jay Chun
Chairman and Managing Director

Hong Kong, 27 March 2014

Corporate Governance Report

In the opinion of the Board, the Company has complied with the code provisions as set out in the Code throughout the year ended 31 December 2013 except for certain deviations disclosed herein.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as the code of conduct regarding securities transactions by its Directors. Having made specific enquiry, all Directors have confirmed that they had fully complied with the required standard set out in the Model Code during the year.

BOARD OF DIRECTORS

The Board is responsible for the leadership and control of the Group, overseeing the Group's businesses, strategic decisions and performance, evaluating the performance of the Group and supervising the management. In addition, the Board reserves the authority to make final decisions for all major matters of the Company, including approving and monitoring of budgets, internal control and risk management, dividend payout, material transaction, preparation and release of financial information, appointment of Directors, and other significant financial and operational matters. The Board is also responsible for performing the corporate governance duties set out in code provision D.3.1 of the Code.

During the year under review, the Board devised a board diversity policy in accordance with a new code provision, to take into account of the board diversity policy, reviewed the compliance of the Model Code and disclosure in this Corporate Governance Report.

In order to enhance efficiency, the Board has delegated the day-to-day responsibilities and operations to the executive Directors and senior management who perform their duties under the leadership of the Managing Director.

As at 31 December 2013, the Board consisted of three executive Directors and three independent non-executive Directors.

During the year, the Board held only two regular meetings. The number of regular Board meetings held during the year fell short of four times a year as set out in code provision A.1.1 of the Code because of the conflicting schedules of the members of the Board, which rendered it difficult to arrange for such meetings.

The members of the Board and the attendance of each member at Board meetings, the annual general meeting held on 28 June 2013 and the special general meeting held on 3 June 2013 are as follows:

	Number of attendance		
Directors	**Board meetings**	**Annual general meeting held on 28 June 2013**	**Special general meeting held on 3 June 2013**
Executive Directors			
Mr. Jay Chun *(Chairman and Managing Director)*	2/2	0/1	0/1
Mr. Shan Shiyong, alias, Sin Sai Yung	0/2	0/1	0/1
Mr. Hu Liming	0/2	0/1	0/1
Independent Non-executive Directors			
Mr. Frank Hu	2/2	0/1	0/1
Mr. Li John Zongyang	2/2	0/1	0/1
Mr. Kuan Hin Meng	0/2	0/1	0/1

Given the nature and business objective of the Company, the Board has a balance of skill and experience appropriate for the requirements of the business of the Company. The list of directors and their respective biographies are set out on page 6 of this annual report.

CHAIRMAN AND MANAGING DIRECTOR

Mr. Jay Chun is the Chairman and the Managing Director of the Company. In the opinion of the Board, the roles of the managing director and the chief executive officer are the same. Although under code provision A.2.1 of the 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.

Pursuant to code provision E.1.2 of the Code, the Chairman of the Board, and the chairman of the audit committee, the remuneration committee, the nomination committee and any other committee should attend the annual general meeting. The chairman of the independent board committee should also be available to answer questions at any general meeting to approve a connected transaction or any other transaction or any other transaction that requires independent shareholders' approval. However, the annual general meeting held on 28 June 2013 was chaired by Ms. Ho Suet Man, Stella, a duly appointed proxy of a shareholder of the Company, instead of Mr. Jay Chun or the chairman of the audit committee, remuneration committee, nomination committee and any other committee. Mr. Jay Chun and the chairman of the audit committee, remuneration committee and nomination committee were unable to attend the annual general meeting as they were engaged in other commitments of the Company. Further, none of the independent non-executive Directors attended the special general meeting held on 3 June 2013, which was convened to approve the connected transaction with Mr. Jay Chun, an executive Director and a controlling shareholder of the Company, as they were engaged in other commitments of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

In accordance with code provision A.4.1 of the 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.

DIRECTORS' TRAINING AND PROFESSIONAL DEVELOPMENT

Directors are continually updated on the latest development and changes in the Listing Rules, the Code and other regulatory requirements in order to ensure the compliance with the same by the Directors.

Directors are also encouraged to participate in professional development courses and seminars to develop and refresh their knowledge and skills. All Directors had provided a record of training they received during the year to the Company. According to the training records provided by the Directors, the training attended by them during the reporting period is summarized as follows:

Directors	Corporate Governance, Regulatory Development and Trainings on other relevant topics
Executive Directors	
Mr. Jay Chun	✓
Mr. Shan Shiyong, alias, Sin Sai Yung	✓
Mr. Hu Liming	✓
Independent Non-executive Directors	
Mr. Frank Hu	✓
Mr. Li John Zongyang	✓
Mr. Kuan Hin Meng	✓

REMUNERATION COMMITTEE

The remuneration committee of the Company (the "Remuneration Committee") is responsible for making recommendations to the Board on, among other things, the Company's policy and structure for the remuneration of all Directors and senior management of the Company by making reference to market rates, their duties and responsibilities within the Group and their experience and is delegated by the Board with the responsibility to determine on behalf of the Board the specific remuneration packages for all executive Directors and senior management of the Company.

Please refer to the terms of reference of the Remuneration Committee published on the websites of the Stock Exchange and the Company for the principal roles and functions of the Remuneration Committee.

During the year, the Remuneration Committee held one meeting. Members of the Remuneration Committee and the attendance of each member are as follows:

Directors	Number of attendance
Executive Director	
Mr. Jay Chun	1/1
Independent Non-executive Directors	
Mr. Frank Hu *(Chairman)*	1/1
Mr. Kuan Hin Meng	0/1

During the year, the Remuneration Committee reviewed and determined the remuneration of the executive Directors and made recommendation to the Board of the remuneration of the independent non-executive Directors.

The remuneration of the senior management by band for the year ended 31 December 2013 are as follows:

	Number of individuals
HK$0 to HK$1,000,000	1
HK$1,000,001 to HK$1,500,000	1
HK$5,000,001 to HK$5,500,000	1

NOMINATION COMMITTEE

The nomination committee of the Company (the "Nomination Committee") was established on 30 March 2012 with written terms of reference. The Nomination Committee is responsible for reviewing the structure, size and composition of the Board regularly and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy and the board diversity policy. Its duties include identification and nomination of candidates to fill casual vacancies of Directors and succession planning for the Chairman. The Nomination Committee is also responsible for assessing the independence of independent non-executive Directors.

Please refer to the Terms of Reference of the Nomination Committee published on the websites of the Company and the Stock Exchange for the roles and functions of the Nomination Committee

During the year, the Board adopted a board diversity policy setting out the approach to diversity of members of the Board. The Company recognises and embraces the benefits of diversity of Board members. It endeavours to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. All Board appointments will continue to be made on a merit basis with due regard for the benefits of diversity of the Board members. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge. The ultimate decision will be made upon the merits and contribution that the selected candidates will bring to the Board.

During the year, the Nomination Committee held one meeting to review the independence of each independent non-executive Director. Members of the Nomination Committee and the attendance of each member are as follows:

Directors	Number of attendance
Executive Director	
Mr. Jay Chun *(Chairman)*	1/1
Independent Non-executive Directors	
Mr. Frank Hu	1/1
Mr. Li John Zongyang	0/1

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") is responsible for reviewing and supervising the financial reporting process and internal control system of the Group and providing advice and comments to the Board.

Please refer to the Terms of Reference published on the websites of the Company and the Stock Exchange for the roles and functions of the Audit Committee.

During the year, the Audit Committee held two meetings. Members of the Audit Committee and the attendance of each member are as follows:

Directors	Number of attendance
Independent Non-executive Directors	
Mr. Frank Hu *(Chairman)*	2/2
Mr. Li John Zongyang	2/2
Mr. Kuan Hin Meng	0/2

During the year, the Audit Committee had performed the following duties:

– reviewed with the management and the external auditors the audited consolidated financial statements for the year ended 31 December 2012 and the unaudited interim financial statements for the six months ended 30 June 2013, with recommendations to the Board for approval;

– reviewed with the management of the Company the accounting principles and practices adopted by the Group and the consolidated financial statements for the year ended 31 December 2013;

– reviewed reports on internal control system covering financial, operational and procedural compliance; and

– reviewed the compliance issues with the regulatory and statutory requirements.

The Chairman of the Audit Committee, Mr. Frank Hu, possesses relevant financial management expertise and meets the requirements of Rule 3.21 of the Listing Rules.

AUDITORS' REMUNERATION

During the year, the remuneration paid to the Group's external auditors is set out as follows:

Services rendered for the Group	HK$'000
Audit services	830
Non-audit services	–
Total	830

ACCOUNTABILITY

The Directors are responsible for the preparation of the financial statements of the Group for the relevant accounting periods under applicable statutory and regulatory requirements which give true and fair view of the state of affairs, the results of operations and cash flows of the Group. In preparing the financial statements for the six months ended 30 June 2013 and for the year ended 31 December 2013, the Directors have adopted suitable accounting policies and applied them consistently. The financial statements for the year ended 31 December 2013 have been prepared on a going concern basis.

INTERNAL CONTROLS

The Board has, through the Audit Committee, conducted interim and annual review of the effectiveness of the internal control system of the Group covering financial, operational and procedural compliance. The internal control system is designed to provide reasonable, but not absolute, assurance of no material misstatement or loss and to manage rather than eliminate risks of failure in operational systems and achievements of the Group's objectives.

SHAREHOLDERS' RIGHTS

As one of the measures to safeguard shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual Directors, for shareholders' consideration and voting. All resolutions put forward at shareholders' meetings will be voted by poll pursuant to the Listing Rules and the poll results will be published on the websites of the Stock Exchange and the Company at "www.hkexnews.hk" and "www.hk1180.com" after the relevant shareholders' meetings.

Shareholders of the Company may requisition special general meetings. According to bye-law 58 of the Company's Bye-Laws, shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting, the requisitionists may do so in accordance with the provisions of section 74 of the Companies Act 1981 of Bermuda.

Shareholders may put forward proposals at general meetings of the Company by sending the same to the Company at the address of its principal office in Hong Kong, specifying his/her information, contact details and the proposal(s) he/she intends to put forward at the general meeting regarding any specified transaction/business and the supporting documents.

Shareholders may also send written enquiries by post, together with his/her contact details, such as postal address, email or fax, to the principal office of the Company in Hong Kong at Unit C, 19/F, Entertainment Building, 30 Queen's Road Central, Hong Kong.

MEMORANDUM OF ASSOCIATION AND BYE-LAWS OF THE COMPANY

During the year, no amendments were made to the Memorandum of Association and Bye-Laws of the Company.

PAN-CHINA (H.K.) CPA LIMITED Certified Public Accountants
天健(香港)會計師事務所有限公司

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

We have audited the consolidated financial statements of Paradise Entertainment Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 25 to 89, which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body in accordance with section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2013 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PAN-CHINA (H.K.) CPA LIMITED
Certified Public Accountants

Chan Kin Wai
Practicing Certificate Number P05342

11/F., Hong Kong Trade Centre,
161-167 Des Voeux Road Central,
Hong Kong S.A.R., China

27 March 2014

Consolidated Statement of Profit or Loss

For the year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
CONTINUING OPERATIONS			
TURNOVER	7	**1,030,455**	728,954
Cost of sales and services		**(445,484)**	(244,764)
Gross profit		**584,971**	484,190
Other income	8	**2,928**	1,986
Marketing, selling and distribution costs		**(196,409)**	(133,945)
Administrative expenses		**(229,727)**	(167,910)
Impairment loss for doubtful debts		**(43)**	(471)
Finance costs	9	**(16,113)**	(10,495)
Amortisation for intangible assets		**(41,818)**	(12,138)
Loss on early redemption of promissory note		**–**	(12,795)
Profit before tax		**103,789**	148,422
Income tax expenses	10	**(11)**	(26,206)
Profit for the year from continuing operations		**103,778**	122,216
DISCONTINUED OPERATION			
Profit for the year from discontinued operation	11	**–**	21,093
Profit for the year	12	**103,778**	143,309
Attributable to:			
Owners of the Company		**96,733**	126,698
Non-controlling interests		**7,045**	16,611
		103,778	143,309
			(Restated)
Earnings per share (HK cents)			
From continuing and discontinued operations	15		
– Basic		**15.10**	44.60
– Diluted		**14.93**	36.10
			(Restated)
Earnings per share (HK cents)			
From continuing operations	15		
– Basic		**15.10**	37.20
– Diluted		**14.93**	30.40

Consolidated Statement of Other Comprehensive Income

For the year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
Profit for the year	12	**103,778**	143,309
Other comprehensive income for the year			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements		**213**	83
Total comprehensive income for the year		**103,991**	143,392
Total comprehensive income attributable to:			
Owners of the Company		**96,947**	126,784
Non-controlling interests		**7,044**	16,608
		103,991	143,392

Consolidated Statement of Financial Position

As at 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
Non-current assets			
Property, plant and equipment	16	**182,728**	152,146
Intangible assets	17	**769,462**	153,745
Interest in an associate	18	**–**	–
		952,190	305,891
Current assets			
Inventories	19	**14,603**	4,810
Debtors, deposits and prepayments	20	**248,833**	106,076
Bank and cash balances	21	**266,699**	196,169
		530,135	307,055
Current liabilities			
Creditors and accrued charges	22	**152,580**	84,327
Amounts due to directors	34	**3,947**	6,364
Obligations under finance leases			
– due within one year	23	**116**	108
Current tax liabilities		**12,035**	13,406
		168,678	104,205
Net current assets		**361,457**	202,850
Total assets less current liabilities		**1,313,647**	508,741

Consolidated Statement of Financial Position

As at 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
Non-current liabilities			
Obligations under finance leases			
– due after one year	23	**187**	304
Convertible loans – due after one year	24	**–**	86,933
Promissory note	25	**126,170**	–
Deferred tax liabilities	26	**12,000**	12,800
		138,357	100,037
Net assets		**1,175,290**	408,704
Capital and reserves			
Share capital	27	**1,025**	284,144
Reserves	28	**1,146,761**	104,100
Equity attributable to owners of the Company		**1,147,786**	388,244
Non-controlling interests		**27,504**	20,460
Total equity		**1,175,290**	408,704

The consolidated financial statements on pages 25 to 89 were approved and authorised for issue by the Board of Directors on 27 March 2014 and are signed on its behalf by:

JAY CHUN
Director

FRANK HU
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

	Attributable to owners of the Company										
	Share capital HK$'000	Share premium HK$'000	Special reserve HK$'000	Convertible loans reserve HK$'000	Option reserve HK$'000	Warrant Reserve HK$'000	Translation reserve HK$'000	Accumulated profits (losses) HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2012	284,144	581,629	88,643	6,235	57,841	–	22,423	(778,203)	262,712	3,751	266,463
Total comprehensive income	–	–	–	–	–	–	86	126,698	126,784	16,608	143,392
Transfer of share option reserve upon the lapse of share options	–	–	–	–	(54,054)	–	–	54,054	–	–	–
Disposal of subsidiaries	–	–	–	–	–	–	(1,252)	–	(1,252)	101	(1,151)
	–	–	–	–	(54,054)	–	(1,166)	180,752	125,532	16,709	142,241
At 31 December 2012	284,144	581,629	88,643	6,235	3,787	–	21,257	(597,451)	388,244	20,460	408,704
At 1 January 2013	284,144	581,629	88,643	6,235	3,787	–	21,257	(597,451)	388,244	20,460	408,704
Total comprehensive income	–	–	–	–	–	–	214	96,733	96,947	7,044	103,991
Capital reorganisation	(314,829)	(316,040)	30,969	–	–	–	–	599,900	–	–	–
Issue of warrants	–	–	–	–	–	1,220	–	–	1,220	–	1,220
Issue of shares on placement	34	77,343	–	–	–	–	–	–	77,377	–	77,377
Issue of consideration shares	600	479,400	–	–	–	–	–	–	480,000	–	480,000
Issue of shares on conversion of convertible loans	31,063	62,870	–	(6,235)	–	–	–	–	87,698	–	87,698
Issue of shares on exercise of share options and warrants	13	18,449	–	–	(1,894)	(268)	–	–	16,300	–	16,300
	(283,119)	322,022	30,969	(6,235)	(1,894)	952	214	696,633	759,542	7,044	766,586
At 31 December 2013	1,025	903,651	119,612	–	1,893	952	21,471	99,182	1,147,786	27,504	1,175,290

Consolidated Statement of Cash Flows

For the year ended 31 December 2013

	2013 HK$'000	2012 HK$'000
OPERATING ACTIVITIES		
Profit before tax		
From continuing operations	**103,789**	148,422
From discontinued operation	**–**	21,093
	103,789	169,515
Adjustments for:		
Finance costs	**16,113**	10,495
Bank interest income	**(10)**	(2)
Amortisation for intangible assets	**41,818**	12,138
Loss on early redemption of promissory note	**–**	12,795
Impairment loss for amount due from an associate	**43**	82
Depreciation of property, plant and equipment	**36,006**	28,219
Loss on disposal of property, plant and equipment	**45**	34
Gain on disposal of the Disposed Group	**–**	(20,908)
Provision for bad debts	**–**	389
Operating cash flows before movements in working capital	**197,804**	212,757
Increase in inventories	**(9,793)**	(4,769)
Increase in debtors, deposits and prepayments	**(142,795)**	(57,517)
Increase in creditors and accrued charges	**63,902**	44,972
Cash generated from operations	**109,118**	195,443
Income taxes paid	**(2,182)**	(18)
NET CASH GENERATED FROM OPERATING ACTIVITIES	**106,936**	195,425
INVESTING ACTIVITIES		
Purchases of intangible assets	**(60,000)**	–
Purchases of property, plant and equipment	**(66,622)**	(32,351)
Net cash disposed of Disposed Group	**–**	(2,441)
Interest received	**10**	2
NET CASH USED IN INVESTING ACTIVITIES	**(126,612)**	(34,790)

Consolidated Statement of Cash Flows

For the year ended 31 December 2013

	2013 HK$'000	2012 HK$'000
FINANCING ACTIVITIES		
Proceeds from issue of warrants	**1,220**	–
Proceeds from issue of shares on placement	**77,377**	–
Proceeds from issue of shares on exercise of share options and warrants	**16,300**	–
Interest paid	**(4,689)**	(7,104)
Repayment of obligations under finance leases	**(109)**	(1,318)
Redemption of promissory note	**–**	(83,722)
(Decrease) Increase in amounts due to directors	**(67)**	1,447
Interest paid on obligations under finance leases	**(24)**	(32)
NET CASH GENERATED FROM (USED IN) FINANCING ACTIVITIES	**90,008**	(90,729)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**70,332**	69,906
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**196,169**	126,186
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**198**	77
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**266,699**	196,169
ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS represented by bank and cash balances	**266,699**	196,169

1. GENERAL

Paradise Entertainment Limited (the "Company") was incorporated in Bermuda as an exempted company with limited liability under the Companies Act of Bermuda. The Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section in the annual report.

The Company is an investment holding company. The principal activities of the Group's associate and subsidiaries (together with the Company collectively referred to as the "Group") are set out in notes 18 and 35 respectively.

In respect of the Group's operating subsidiaries established in the People's Republic of China (the "PRC") and engaged in the research and development, the functional currency is Renminbi ("RMB"). In respect of the Group's operating subsidiaries established in Macau and engaged in the provision of management services, development, provision and sales of electronic gaming system, the functional currency is Macau Pataca ("MOP"). The functional currency of the Company and the other subsidiaries is Hong Kong dollars ("HK$"). The consolidated financial statements are presented in Hong Kong dollars.

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

The Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

Amendments to HKFRSs	*Annual improvements to HKFRSs 2009-2011 cycle*
Amendments to HKFRS 7	*Disclosures – Offsetting financial assets and financial liabilities*
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	*Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance*
HKFRS 10	*Consolidated financial statements*
HKFRS 11	*Joint arrangements*
HKFRS 12	*Disclosure of interests in other entities*
HKFRS 13	*Fair value measurement*
HKAS 19 (as revised in 2011)	*Employee benefits*
HKAS 28 (as revised in 2011)	*Investments in associates and joint ventures*
Amendments to HKAS 1	*Presentation of items of other comprehensive income*
HK(IFRIC) – Int 20	*Stripping costs in the production phase of a surface mine*

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

In the current year, the Group has applied for the first time the package of five standards on consolidation, joint arrangements, associates and disclosures comprising HKFRS 10 "Consolidated financial statements", HKFRS 11 "Joint arrangements", HKFRS 12 "Disclosure of interests in other entities", HKAS 27 (as revised in 2011) "Separate financial statements" and HKAS 28 (as revised in 2011) "Investments in associates and joint ventures", together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding transitional guidance.

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

HKAS 27 (as revised in 2011) is not applicable to the Group as it deals only with separate financial statements.

HKFRS 10 replaces the parts of HKAS 27 "Consolidated and separate financial statements" that deal with consolidated financial statements and HK (SIC) Int – 12 "Consolidation – Special purpose entities". HKFRS 10 changes the definition of control such that an investor has control over an investee when (a) it has power over the investee, (b) it is exposed, or has rights, to variable returns from its involvement with the investee and (c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee.

The directors of the Company have made an assessment as at the date of initial application of HKFRS 10 (i.e. 1 January 2013) in respect of the Group's control in its investees under the new definition in the new and revised HKFRSs and concluded that the application of the new standard has no impact on the classification of investees currently reported in the consolidated financial statements.

HKFRS 13 Fair Value Measurement

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements. The scope of HKFRS 13 is broad: the fair value measurement requirements of HKFRS 13 apply to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are within the scope of HKAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value (e.g. net realizable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

HKFRS 13 requires prospective application. In accordance with the transitional provisions of HKFRS 13, the Group has not made any new disclosures required by HKFRS 13 for the 2012 comparative period. Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

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

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The Group has applied the amendments to HKAS 1 "Presentation of Items of Other Comprehensive Income". Under the amendments to HKAS 1, the 'statement of comprehensive income' is renamed as the 'statement of profit or loss and other comprehensive income' and the 'income statement' is renamed as the 'statement of profit or loss'. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. Furthermore, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income sections such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

The Group has not early applied the following new and revised Standards, Amendments and Interpretations that have been issued but are not yet effective.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	*Investment Entities*[1]
Amendments to HKAS 32	*Offsetting Financial Assets and Financial Liabilities*[1]
Amendments to HKAS 36	*Recoverable Amount Disclosures for Non-Financial Assets*[1]
Amendments to HKAS 39	*Novation of Derivatives and Continuation of Hedge Accounting*[1]
HK (IFRIC) – Interpretation 21	*Levies*[1]
Amendments to HKFRS 9	*Financial Instruments: Hedge Accounting and amendments to HKFRS 9, HKFRS 7 and HKAS 39*[2]
Amendments to HKAS 19	*Employee Benefits – Defined Benefit Plans: Employee Contributions*[3]
Annual Improvement for 2010 – 2012 Cycle	*Amendments to a number of HKFRSs issued in January 2014*[3]
Annual Improvement for 2011 – 2013 Cycle	*Amendments to a number of HKFRSs issued in January 2014*[3]
HKFRS 14	*Regulatory Deferral Accounts*[4]

1 Effective for annual periods beginning on or after 1 January 2014
2 The effective date will be determined once the classification and measurement and impairment phases of HKFRS 9 are finalized
3 Effective for annual periods beginning on or after 1 July 2014
4 Effective for annual periods beginning on or after 1 January 2016

The directors of the Company anticipate the application of these new and revised HKFRSs will have no material impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 2 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the consolidated financial statements

The consolidated financial statements for the year ended 31 December 2013 comprise the Company, its subsidiaries and the Group's interest in an associate.

The measurement basis used in the preparation of the financial statements is the historical cost basis except for certain financial instruments which are measured at fair values.

The preparation of consolidated financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. Control is achieved when the Company:

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

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

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another HKFRS.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less any impairment losses.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Investments in associates

An associate is an entity over which the Group or Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associates, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Where a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

(e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from gaming operations, representing the net gaming wins, is recognised when the relevant services have been rendered and is measured at the entitlement of economic inflows of the Group from the business.

Revenue from the sales of goods is recognised when the goods are delivered and the title has passed.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Property, plant and equipment

Property, plant and equipment including land and buildings held for use in the production or supply of goods or services, or for administrative purposes are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated statement of profit or loss in the year in which the item is derecognised.

(g) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in the consolidated statement of profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Leasehold land and building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment.

(i) Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity ("foreign currencies") are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of each of the reporting periods, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising from the settlement of monetary items, and from the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising from a monetary item that forms part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognised in equity in the consolidated financial statements. Exchange differences arising from the retranslation of non-monetary items carried at fair value, are included in profit or loss for the period.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK$) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss for the period in which the foreign operation is disposed of.

(j) Borrowing costs

Borrowing costs are expensed in the consolidated statement of profit or loss for the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

(k) Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme and stated-managed retirement benefit schemes are charged as an expense when employees have rendered the service entitling them to the contributions.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising from investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

(m) Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives.

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of profit or loss when the asset is derecognised.

(n) Research and development expenditure

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

(p) Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provision of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into financial assets at fair value through profit or loss ("FVTPL") and loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

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

Financial assets at fair value through profit or loss

Financial assets at FVTPL have two subcategories, including financial assets held for trading.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Financial instruments (Continued)

Financial assets (Continued)

Financial assets at fair value through profit or loss (Continued)

A financial asset is classified as held for trading if:

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

At the end of each of the reporting periods subsequent to initial recognition, financial assets at FVTPL are measured at fair value, with changes in fair value recognised directly in profit or loss in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of each of the reporting periods subsequent to initial recognition, loans and receivables (including debtors and deposits and bank and cash balances) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Impairment loss on financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each of the reporting periods. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For all of the Group's financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Financial instruments (Continued)

Financial assets (Continued)

Impairment loss on financial assets (Continued)

For certain categories of financial asset, such as trade debtors, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade debtors, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a debt is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's financial liabilities are generally classified into other financial liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Financial instruments (Continued)

Financial liabilities and equity (Continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Other financial liabilities

Other financial liabilities including creditors and accrued charges, amounts due to directors, amount due to a related party, other borrowings, obligations under finance leases, convertible loans and promissory note are subsequently measured at amortised cost, using the effective interest method.

Convertible loans

Convertible loans issued by the Group that contain both the liability and conversion option components are classified separately into respective items on initial recognition. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible loans and the fair value assigned to the liability component, representing the conversion option for the holder to convert the convertible loans into equity, is included in equity (convertible loans reserve).

In subsequent periods, the liability component of the convertible loans is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in convertible loans reserve until the embedded option is exercised (in which case the balance stated in convertible loans reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible loans reserve will be released to the accumulated losses. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible loans are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible loans using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Financial instruments (Continued)

Financial liabilities and equity (Continued)

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured at their fair value at the end of each of the reporting periods. The resulting gain or loss is recognised in profit or loss immediately.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to directors and employees

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period with a corresponding increase in equity (option reserve).

At the end of each of the reporting periods, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to option reserve.

At the time when the share options are exercised, the amount previously recognised in option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in option reserve will be transferred to accumulated losses.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Financial instruments (Continued)

Share-based payment transactions (Continued)

Equity-settled share-based payment transactions (Continued)

Share options granted to consultants

Share options granted in exchange for services are measured at the fair values of the goods or services received. The fair values of the services received are recognised as expenses, with a corresponding increase in equity (option reserve), when the counterparties render the services, unless the services qualify for recognition as assets.

(q) Impairment losses on tangible and intangible assets

At the end of each of the reporting periods, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. In addition, intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

(r) Related parties

A related party is a person or entity that is related to the entity that is preparing its financial statements.

(a) A person or a close member of that person's family is related to a reporting entity if that person:

  (i) has control or joint control over the reporting entity;

  (ii) has significant influence over the reporting entity; or

  (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Related parties (Continued)

(b) An entity is related to a reporting entity if any of the following conditions applies:

(i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

(a) Estimated useful lives and impairment loss for property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and identified impairment losses. The estimation of useful lives impacts the level of annual depreciation expenses recorded. Property, plant and equipment are evaluated for possible impairment on a specific asset basis or in groups of similar assets, as applicable. This process requires management's estimate of future cash flows generated by each asset or group of assets. For any instance where this evaluation process indicates impairment, the relevant asset's carrying amount is written down to the recoverable amount and the amount of the write-down is charged against the consolidated statement of profit or loss.

(b) Impairment loss for intangible assets

In connection with the carrying amount of intangible assets, the Group performs ongoing evaluation of the status of the underlying drug projects concerned. Sensitivity analysis has been carried out on its assumptions regarding future market shares and anticipated margins on these drugs and gaming projects independently and the Group believes that adequate provision for impairment was made on the carrying amount of intangible assets. The situation will be closely monitored, and adjustments will be made in future periods, if future market activity indicates that such adjustments are appropriate.

(c) Impairment loss for debtors

The policy for making impairment loss on debtors of the Group is based on the evaluation of collectability and aging analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each debtor. If the financial conditions of debtors of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional impairment loss may be required.

(d) Share-based payment expenses

The fair value of the share options granted to the directors, employees and consultants determined at the date of grant of the respective share options is expensed over the vesting period, with a corresponding adjustment to the Group's option reserve. In assessing the fair value of the share options, the generally accepted option pricing models were used to calculate the fair value of the share options. The option pricing models require the input of subjective assumptions, including the expected dividend yield and expected life of options. Any changes in these assumptions can significantly affect the estimate of the fair value of the share options.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

(e) Measurement of promissory note

On issue of promissory notes, the fair value is determined using a market rate for an equivalent loan and this amount is carried at amortised cost basis until extinguished on redemption or cancellation.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes the convertible loans and promissory note as disclosed in notes 24 and 25 respectively, bank and cash balances and equity of the Company, comprising issued share capital disclosed in note 27 and reserves as disclosed in consolidated statement of changes in equity. The management reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as make new borrowings or repayment of existing borrowings. The Group's approach to capital management remained unchanged throughout the year.

6. FINANCIAL RISK MANAGEMENT

A. Financial risk, management objectives and policies

The Group's major financial instruments include debtors and deposits; bank and cash balances; creditors and accrued charges; amounts due to directors; amount due to a related party; other borrowings; obligations under finance leases; convertible loans and promissory note. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

Market risk

(a) Currency risk

Currency risk refers to the risk that movement in foreign currency rate will affect the Group's financial results and its cash flow. The management considers the Group is not exposed to significant foreign currency risk as the majority of its operations and transactions are denominated in the functional currencies of the group entity. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. However, the Group monitors its foreign currency exposure and will consider hedging significant foreign currency exposure should the need arise.

6. FINANCIAL RISK MANAGEMENT (Continued)

A. Financial risk, management objectives and policies (Continued)

Market risk (Continued)

(b) Interest rate risk

The Group's exposure to interest-rate risk arises from its bank deposits, other borrowings, obligations under finance leases, convertible loans and promissory note. The bank deposits bear interests at variable rates depending on the prevailing market condition. The other borrowings, obligations under finance leases, convertible loans and promissory note bear interests at fixed rates and therefore expose the Group to fair value interest rate risks.

The Group's result is not sensitive to changes in interest rate as the Group's other borrowings, obligations under finance leases, convertible loans and promissory note are at fixed interest rates and the interest income generated from bank deposits is insignificant.

Credit risk

The carrying amounts of debtors and deposits and bank and cash balances included in the consolidated statement of financial position represents the Group's maximum exposure to credit risk in relation to the Group's financial assets.

The Group has no significant concentrations of credit risk.

The credit quality of the counterparties in respect of debtors and deposits, is assessed by taking into account their financial position, credit history and other factors. Given the constant repayment history, the directors are of the opinion that the risk of default by these counterparties is low.

The credit risk on bank and cash balances is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies and the PRC large state-controlled banks.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements.

6. FINANCIAL RISK MANAGEMENT (Continued)

A. Financial risk, management objectives and policies (Continued)

Liquidity risk (Continued)

The following table details the Group's remaining contractual maturity for its financial liabilities. For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Weighted average effective interest rate %	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Total undiscounted cash flow HK$'000	Total carrying amount HK$'000
At 31 December 2013						
Creditors and accrued charges	–	152,580	–	–	152,580	152,580
Amounts due to directors	–	3,947	–	–	3,947	3,947
Obligations under finance leases	6,54%	132	132	65	329	303
Promissory note	13,36%	–	–	200,000	200,000	126,170
		156,659	132	200,065	356,856	283,000
At 31 December 2012						
Creditors and accrued charges	–	84,327	–	–	84,327	84,327
Amounts due to directors	–	6,364	–	–	6,364	6,364
Obligations under finance leases	6.54%	132	132	197	461	412
Convertible loans	9.04%	7,086	95,838	–	102,924	86,933
		97,909	95,970	197	194,076	178,036

6. FINANCIAL RISK MANAGEMENT (Continued)

B. Fair value of financial assets and financial liabilities

The fair values of financial assets and financial liabilities are determined as follows:

– the fair values of financial assets and financial liabilities with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices and ask prices, respectively;

– the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions; and

– the fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

The carrying amounts of financial assets and financial liabilities (excluding liability component of convertible loans) reported in the consolidated statement of financial position approximate their carrying amounts due to their immediate or short-term maturities.

The directors consider that the carrying amounts of liability component of convertible loans recorded at amortised cost in the consolidated financial statements approximate their fair values because of the borrowing rate currently available for convertible loans with similar terms and maturities.

C. Categories of financial instruments

	2013 **HK$'000**	2012 HK$'000
Financial assets		
Loan and receivables		
– debtors and deposits	**227,999**	101,821
– bank and cash balances	**266,699**	196,169
	494,698	297,990
Financial liabilities		
Other financial liabilities measured at amortised cost		
– creditors and accrued charges	**152,580**	84,327
– amounts due to directors	**3,947**	6,364
– obligations under finance leases	**303**	412
– promissory note	**126,170**	–
– convertible loans	**–**	86,933
	283,000	178,036

7. TURNOVER AND SEGMENT INFORMATION

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

Biopharmaceutical – Research, development and sales of biopharmaceutical products which was classified as discontinued operation of the Group and was disposed of in April 2012

Casino service – Provision of management services to casinos in Macau

Gaming system – 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) 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 segments for the year ended 31 December 2013 and 2012, respectively.

(a) Business segments

For the year ended 31 December 2013

	Continuing Operations			
	Casino service HK$'000	**Gaming system HK$'000**	**Others HK$'000**	**Total HK$'000**
Revenue				
Revenue from external customers	859,208	171,247	–	1,030,455
Segment results	126,757	14,553	(21,408)	119,902
Finance costs				(16,113)
Loss on early redemption of promissory note				–
Profit before tax				103,789
Income tax expenses				(11)
Profit for the year				103,778

7. TURNOVER AND SEGMENT INFORMATION (Continued)

(a) Business segments (Continued)

As at 31 December 2013

	Continuing Operations			
	Casino service HK$'000	Gaming system HK$'000	Others HK$'000	Total HK$'000
Assets				
Segment assets	669,921	732,131	80,273	1,482,325
Unallocated assets				–
Total assets				1,482,325
Liabilities				
Segment liabilities	162,533	13,057	131,445	307,035
Unallocated liabilities				–
Total liabilities				307,035
Other information				
Capital expenditures	60,395	4,715	1,512	66,622
Amortisation of intangible assets	12,138	29,680	–	41,818
Depreciation of property, plant and equipment	23,935	11,323	748	36,006
Impairment loss for amount due from an associate	–	–	43	43

7. TURNOVER AND SEGMENT INFORMATION (Continued)

(a) Business segments (Continued)

For the year ended 31 December 2012

	Continuing operations				Discontinued operation	
	Casino service HK$'000	Gaming system HK$'000	Others HK$'000	Sub-total HK$'000	Biopharmaceutical HK$'000	Total HK$'000
Revenue						
Revenue from external customers	544,496	184,458	–	728,954	20,384	749,338
Segment results	112,241	87,510	(28,039)	171,712	185	171,897
Finance costs						(10,495)
Loss on early redemption of promissory note						(12,795)
Gain on disposal of Disposed Group						20,908
Profit before tax						169,515
Income tax expenses						(26,206)
Profit for the year						143,309

7. TURNOVER AND SEGMENT INFORMATION (Continued)

(a) Business segments (Continued)

As at 31 December 2012

	Continuing Operations				Discontinued operation	
	Casino service HK$'000	Gaming system HK$'000	Others HK$'000	Sub-total HK$'000	Biopharmaceutical HK$'000	Total HK$'000
Assets						
Segment assets	499,651	107,898	5,397	612,946	–	612,946
Unallocated assets						–
Total assets						612,946
Liabilities						
Segment liabilities	103,495	5,303	95,444	204,242	–	204,242
Unallocated liabilities						–
Total liabilities						204,242
Other information						
Capital expenditures	8,535	22,915	901	32,351	–	32,351
Amortisation of intangible assets	12,138	–	–	12,138	–	12,138
Depreciation of property, plant and equipment	15,062	12,772	328	28,162	57	28,219
Impairment loss for amount due from an associate	–	–	82	82	–	82

(b) Geographical segments

	Revenue		**Total assets**		**Capital expenditure**	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
The PRC and Hong Kong	**–**	20,384	**80,958**	5,397	**2,223**	1,581
Macau	**1,030,455**	728,954	**1,401,367**	607,549	**64,399**	30,770
	1,030,455	749,338	**1,482,325**	612,946	**66,622**	32,351

8. OTHER INCOME

	2013 HK$'000	2012 HK$'000
Bank interest income	10	2
Rental income	1,790	949
Net exchange gains	–	255
Sundry income	1,128	780
	2,928	1,986

9. FINANCE COSTS

	2013 HK$'000	2012 HK$'000
Interests on:		
Other borrowings wholly repayable within five years	2,000	–
Obligations under finance leases wholly repayable within five years	24	32
Effective interests on:		
Convertible loans (note 24)	5,454	7,872
Promissory note (note 25)	8,635	2,591
	16,113	10,495

10. INCOME TAX EXPENSES

(i) Hong Kong Profits Tax

No provision for Hong Kong Profits Tax had been made as the Group did not generate any assessable profits in Hong Kong during both years.

(ii) PRC Enterprise Income Tax

For operating subsidiaries established in the PRC, PRC Enterprise Income Tax is calculated at the rate of 25% (2012: 25%) prevailing in the PRC for the year with certain tax preference.

10. INCOME TAX EXPENSES (Continued)

(iii) Macau Complementary Tax

For operating subsidiaries established in Macau, Macau Complementary Tax is calculated at the rate of 12% (2012: 12%) prevailing in Macau for the year with certain tax preference.

	2013 **HK$'000**	2012 HK$'000
Continuing operations		
Current tax:		
Hong Kong Profits Tax	**–**	–
Macau Complementary Tax	**–**	13,406
PRC Enterprise Income Tax	**11**	–
	11	13,406
Underprovision in prior year:		
Macau Complementary Tax	**800**	–
Deferred tax		
Current year	**(800)**	12,800
Total tax charge for the year	**11**	26,206

The charge for the year that can be reconciled with the profit before tax per consolidated statement of profit or loss is as follows:

	2013 **HK$'000**	2012 HK$'000
Profit before tax	**103,789**	148,422
Tax at Macau Complementary Tax rate of 12%	**12,455**	17,811
Tax effect of expenses not deductible for tax purpose	**10,697**	24,343
Tax effect of income not taxable for tax purpose	**(15,167)**	(27,112)
Tax effect of temporary differences not recognised	**(7,530)**	1,119
Utilisation of tax loss previously not recognised	**(151)**	–
Underprovision in prior year	**800**	–
Tax effect of deferred tax recognized in respect of temporary differences	**(800)**	12,800
Tax effect of different tax rates enacted by local authority	**(293)**	(2,755)
Income tax expenses	**11**	26,206

11. DISCONTINUED OPERATION

In April 2012, the Group disposed of its entire interest in LifeTec Pharmaceutical Limited and its subsidiaries (collectively the "Disposed Group") for a nominal consideration of HK$7.80. For details of the disposal, please refer to the Company's announcement dated 2 April 2012. A gain on disposal of the Disposed Group of HK$20,908,000 has been recognised during the year ended 31 December 2012. The biopharmaceutical business segment which was solely carried out by the Disposed Group was classified as a discontinued operation during the year ended 31 December 2012.

The results of the Disposed Group up to the disposal date were presented below:

	2012 HK$'000
Revenue	20,384
Cost of sales and services	(19,265)
Gross profit	1,119
Other income	133
Marketing, selling and distribution costs	(286)
Administrative expenses	(781)
Profit for the year of the discontinued operation	185
Gain on disposal of the Disposed Group	20,908
Profit for the year from the discontinued operation	21,093
Attributable to:	
Owners of the Company	21,088
Non-controlling interests	5
	21,093
	(Restated)
Earnings per share (HK cents)	
– Basic	7.40
– Diluted	5.70

11. DISCONTINUED OPERATION (Continued)

The net liabilities of the Disposed Group as at the disposal date were as follows:

	HK$'000
Property, plant and equipment	828
Inventories	159
Debtors, deposits and prepayments	12,017
Bank and cash balances	2,441
Creditors and accrued charges	(32,753)
Current tax liabilities	(2,448)
Non-controlling interest	100
Release of translation reserve	(1,252)
Net liabilities of the Disposed Group at the date of disposal	(20,908)

The cash flow attributable to the discontinued operation was as follows:

	2012 HK$'000
Net cash used in operating activities	(195)
Net cash generated from investing activities	2
Net cash generated from financing activities	59
Net decrease in cash and cash equivalents	(134)

11. DISCONTINUED OPERATION (Continued)

Profit of the Disposed Group for the year ended 31 December 2012 has been arrived at after charging:

	2012 HK$'000
Cost of inventories recognised as expenses	19,265
Depreciation of property, plant and equipment	57
Operating lease rentals paid in respect of rented premises	76
Loss on disposal of property, plant and equipment	32
Staff costs	
– Directors' emoluments (note 13)	–
– Other staff	
– Salaries and other benefits	179
– Retirement benefit scheme contributions	42
Total staff costs	221

12. PROFIT FOR THE YEAR

	2013 **HK$'000**	2012 HK$'000
Profit for the year has been arrived at after charging:		
Auditors' remuneration	**830**	790
Cost of inventories recognised as expenses	**35,531**	40,016
Depreciation of property, plant and equipment	**36,006**	28,162
Operating lease rentals paid in respect of rented premises	**9,562**	6,704
Research and development*	**6,291**	3,403
Amortisation of intangible assets	**41,818**	12,138
Impairment loss for amount due from an associate	**43**	82
Loss on disposal of property, plant and equipment	**45**	33
Staff costs		
– Directors' emoluments (note 13)	**28,357**	23,692
– Other staff		
– Salaries and other benefits	**66,079**	46,507
– Retirement benefit scheme contributions	**773**	467
Total staff costs	**95,209**	70,666

* Research and development expenditure includes HK$5,711,000 (2012: HK$2,984,000) relating to staff costs, depreciation and operating lease rentals paid, amounts of which are included in the respective total amounts disclosed separately above.

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Directors' emoluments

The emoluments of each director were as follows:

Year ended 31 December 2013

Name	Fees HK$'000	Salaries and other benefits HK$'000	Accommodation benefits HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
Executive directors					
Mr. Jay Chun	–	13,225	1,500	12	14,737
Mr. Shan Shiyong, alias, Sin Sai Yung	–	13,125	–	15	13,140
Mr. Hu Liming	–	120	–	–	120
Independent non-executive directors					
Mr. Frank Hu	120	–	–	–	120
Mr. Li John Zongyang	120	–	–	–	120
Mr. Kuan Hin Meng	120	–	–	–	120
Total	360	26,470	1,500	27	28,357

Year ended 31 December 2012

Name	Fees HK$'000	Salaries and other benefits HK$'000	Accommodation benefits HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
Executive directors					
Mr. Jay Chun	–	10,792	1,669	12	12,473
Mr. Shan Shiyong, alias, Sin Sai Yung	–	10,725	–	14	10,739
Mr. Hu Liming	–	120	–	–	120
Independent non-executive directors					
Mr. Frank Hu	120	–	–	–	120
Mr. Li John Zongyang	120	–	–	–	120
Mr. Kuan Hin Meng	120	–	–	–	120
Total	360	21,637	1,669	26	23,692

No director waived or agreed to waive any emoluments during the two years ended 31 December 2013 and 2012.

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

Employees' emoluments

The five highest paid individuals in the Group during the year included two (2012: two) directors whose emoluments are reflected in the analysis presented above. The remaining three (2012: three) individuals, include three (2012: three) senior management personnel, whose emoluments are set out below:

	2013 **HK$'000**	2012 HK$'000
Salaries and other benefits	**7,573**	6,778
Retirement benefit scheme contributions	**16**	14
	7,589	6,792

Their emoluments were within the following band:

	2013 **Number of** **Individuals**	2012 Number of individuals
0 to HK$1,000,000	**1**	1
HK$1,000,001 to HK$1,500,000	**1**	1
HK$4,500,001 to HK$5,000,000	**–**	1
HK$5,000,001 to HK$5,500,000	**1**	–

During the two years ended 31 December 2013 and 2012, no emoluments were paid by the Group to any of the directors or the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

14. DIVIDENDS

The directors recommend the payment of final dividend of HK$0.05 per share for the year ended 31 December 2013 (2012: nil). The dividend payable was not reflected in the consolidated financial statements for the year ended 31 December 2013.

15. EARNINGS PER SHARE

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

	2013 **HK$'000**	2012 HK$'000
For the purpose of calculating basic earnings per share		
Profit for the year		
– From continuing operations	**96,733**	105,610
– From discontinued operation	**–**	21,088
	96,733	126,698
For the purpose of calculating diluted earnings per share		
Profit for the year		
– From continuing operations	**96,733**	113,482
– From discontinued operation	**–**	21,088
	96,733	134,570

	2013	2012 (Restated)
Number of shares		
Issued ordinary shares at 1 January	**284,144,478**	284,144,478
Effect of issue of consideration shares	**320,547,945**	–
Effect of issue of shares on placement	**4,252,055**	–
Effect of exercise of share options and warrants	**473,424**	–
Effect of conversion of convertible loans	**31,225,704**	–
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**640,643,606**	284,144,478
Effect of dilutive potential ordinary shares on convertible loans	**–**	88,750,000
Effect of dilutive potential ordinary shares on share options and warrants	**7,252,573**	–
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**647,896,179**	372,894,478

For the year ended 31 December 2013 and 2012, the weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings per share have been adjusted to take into effect the capital reorganisation on 19 June 2013 as set out in note 27 as if it had been effective on 1 January 2012.

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold Improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost					
At 1 January 2012	123,733	131,675	29,923	3,879	289,210
Additions	7,822	22,871	1,542	116	32,351
Disposals	–	–	(213)	–	(213)
Disposals of subsidiaries	(2,796)	(39,394)	(875)	(1,616)	(44,681)
Exchange realignment	6	43	6	2	57
At 31 December 2012	128,765	115,195	30,383	2,381	276,724
Additions	34,664	27,089	4,263	606	66,622
Disposals	(100)	(1,653)	(729)	–	(2,482)
Exchange realignment	7	–	13	–	20
At 31 December 2013	163,336	140,631	33,930	2,987	340,884
Depreciation and impairment loss					
At 1 January 2012	30,793	98,948	7,744	2,856	140,341
Provided for the year	9,930	15,611	2,496	182	28,219
Disposals	–	–	(180)	–	(180)
Disposals of subsidiaries	(2,642)	(39,286)	(698)	(1,227)	(43,853)
Exchange realignment	5	43	2	1	51
At 31 December 2012	38,086	75,316	9,364	1,812	124,578
Provided for the year	15,857	15,327	4,592	230	36,006
Disposals	(100)	(1,653)	(684)	–	(2,437)
Exchange realignment	5	–	4	–	9
At 31 December 2013	53,848	88,990	13,276	2,042	158,156
Carrying value					
At 31 December 2013	109,488	51,641	20,654	945	182,728
At 31 December 2012	90,679	39,879	21,019	569	152,146

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

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

Leasehold improvements	20% or over the remaining terms of the leases
Plant and machinery	10 – 20%
Furniture, fixtures and office equipment	15 – 20%
Motor vehicles	10 – 20%

As at 31 December 2013, motor vehicles of the Group which were subject to charges for securing obligations under finance leases had net book value of HK$324,000 (2012: HK$458,000).

17. INTANGIBLE ASSETS

	Patents – Biophar-maceutical products (note (a)) HK$'000	Macau Patent – Betting terminal system (note (b)) HK$'000	US Patent – Betting terminal system (note (c)) HK$'000	Total HK$'000
Cost				
At 1 January 2012 and 31 December 2012	4,705	182,066	–	186,771
Addition	–	–	657,535	657,535
At 31 December 2013	4,705	182,066	657,535	844,306
Amortisation and impairment				
At 1 January 2012	4,705	16,183	–	20,888
Amortisation for the year	–	12,138	–	12,138
At 31 December 2012	4,705	28,321	–	33,026
Amortisation for the year	–	12,138	29,680	41,818
At 31 December 2013	4,705	40,459	29,680	74,844
Carrying amount				
At 31 December 2013	–	141,607	627,855	769,462
At 31 December 2012	–	153,745	–	153,745

17. INTANGIBLE ASSETS (Continued)

(a) It represents the exclusive rights to use certain technologies acquired for the manufacture of certain biopharmaceutical products, which were fully amortised in prior years.

(b) The patent relates to a computerized system (the "System") for operating multi gambling games. The System was installed in Casino Kam Pek Paradise and other casinos in Macau. The Group generates revenue from sharing net gaming win with casino owners under income-sharing agreements and distributing electronic gaming machines with the System in Macau.

The patent was acquired during the year 2010 from Mr Jay Chun, the Chairman and an executive director of the Company, for a total consideration of HK$280,000,000 comprising cash of HK$30,000,000 and a promissory note of HK$250,000,000.

The fair value of the patent as at the acquisition date was determined at HK$288,000,000 by the directors of the Company with reference to a valuation on the patent conducted by an independent professional valuer, Ample Appraisal Limited, under the income-based approach.

The cost of the patent was determined by the directors of the Company and represents the sum of the cash consideration, the amortised cost of the promissory note at the acquisition date using the effective interest method (note 25) and the capitalised transaction cost of the issuance of the promissory note. The patent is amortised over its useful life of 15 years using the straight line method.

The directors of the Company conducted an impairment assessment and considered that there was no impairment to the carrying amount of the patent as at the end of the reporting period, with reference to a valuation on the patent conducted by an independent professional valuer, International Valuation Limited, under the income-based approach.

(c) It represents various patents and patent applications in the United States of America (the "US") of a computerized system (the "System") for operating multi gambling games. The Group generates revenue from the sale of electronic gaming machines with the System in the US.

The patent was acquired during the year 2013 from Mr. Jay Chun, the Chairman and an executive director of the Company, for a total consideration of HK$740,000,000 comprising cash of HK$60,000,000, a promissory note of HK$200,000,000 and consideration shares of HK$480,000,000.

The fair value of the patent as at the acquisition date was determined at HK$819,000,000 by the directors of the Company with reference to a valuation on the patent conducted by an independent professional valuer, Ample Appraisal Limited, under the income-based approach.

The cost of the patent was determined by the directors of the Company and represents the sum of the cash consideration, the amortised cost of the promissory note at the acquisition date using the effective interest method (note 25), the capitalised transaction cost of the issuance of the promissory note and issue price of consideration shares. The patent is amortised over its useful life of 12 years using the straight line method.

The directors of the Company conducted an impairment assessment and considered that there was no impairment to the carrying amount of the patent as at the end of the reporting period, with reference to a valuation on the patent conducted by an independent professional valuer, International Valuation Limited, under the income-based approach.

18. INTEREST IN AN ASSOCIATE

	2013 HK$'000	2012 HK$'000
Cost of investment in an associate, unlisted	**21,672**	21,672
Share of post-acquisition losses and reserves	**(21,672)**	(21,672)
	–	–
Amount due from an associate	**6,089**	9,689
	6,089	9,689
Less: Impairment loss for amount due from an associate	**(6,089)**	(9,689)
	–	–

Particulars of the Group's associate as at 31 December 2013 are as follows:

Name of associate	Form of business structure	Place of incorporation	Principal place of operation	Issued and fully paid share capital	Proportion of ownership interest	Principal activities
LT3000 Online Limited	Incorporated	British Virgin Islands	Hong Kong	3,023,314 ordinary shares of US$0.1 each	47.47%	Development and trading of computer hardware and software and provision of business consultancy

The amount due from an associate is unsecured, interest-free and has no fixed term of repayment.

18. INTEREST IN AN ASSOCIATE (Continued)

Summarised financial information in respect of the Group's associate is set out below:

	2013 HK$'000	2012 HK$'000
At 31 December		
Total assets	**1,743**	3,267
Total liabilities	**(6,099)**	(11,740)
Net liabilities	**(4,356)**	(8,473)
Group's share of associate's net assets	**–**	–
Year ended 31 December		
Total revenue	**–**	–
Total loss for the year	**(21)**	(120)

The Group has not recognised loss for the year amounting to approximately HK$10,000 (2012: HK$56,000) for the Group's associate. The accumulated losses not recognised were approximately HK$2,271,000 (2012: HK$2,261,000).

19. INVENTORIES

	2013 HK$'000	2012 HK$'000
Trading goods	**14,603**	4,810

20. DEBTORS, DEPOSITS AND PREPAYMENTS

	2013 HK$'000	2012 HK$'000
Trade debtors	**192,128**	65,662
Less: Accumulated impairment loss	**(287)**	(287)
	191,841	65,375
Other debtors, deposits and prepayments	**56,992**	40,701
	248,833	106,076

20. DEBTORS, DEPOSITS AND PREPAYMENTS (Continued)

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.

An ageing analysis of the trade debtors net of impairment loss recognised at the end of the reporting period is as follows:

	2013 **HK$'000**	2012 HK$'000
Within 30 days	**172,599**	63,181
31 – 60 days	**1,121**	1,714
61 – 90 days	**1,331**	480
91 – 180 days	**16,790**	–
	191,841	65,375

21. BANK AND CASH BALANCES

	2013 **HK$'000**	2012 HK$'000
Cash at bank (note)	**107,298**	51,687
Cash chips in hand	**158,796**	106,314
Cash in hand	**605**	38,168
	266,699	196,169

Note: The bank balances carry interest at prevailing market rate for both years.

As at 31 December 2013, the bank and cash balances of the Group denominated in RMB amounted to approximately HK$2,934,000 (2012: HK$537,000), which is not freely convertible in the international market and its exchange rate is determined by the Government of the PRC.

22. CREDITORS AND ACCRUED CHARGES

An ageing analysis of trade creditors, based on the date of receipt of goods is as follows:

	2013 **HK$'000**	2012 HK$'000
Within 30 days	**67,295**	–
31 – 60 days	**6,348**	–
61 – 90 days	**245**	–
91 – 365 days	**1,684**	–
Trade creditors	**75,572**	–
Other creditors and accrued charges	**77,008**	84,327
	152,580	84,327

23. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments **2013** **HK$'000**	2012 HK$'000	**Present value of minimum lease payments** **2013** **HK$'000**	2012 HK$'000
Within one year	**132**	132	**115**	108
More than one year, but not exceeding two years	**132**	132	**123**	116
More than two years, but not exceeding five years	**65**	197	**65**	188
	329	461	**303**	412
Less: Future finance charges	**(26)**	(49)	**–**	–
Present value of lease obligations	**303**	412	**303**	412
Less: Amounts due for settlement within one year (shown under current liabilities)			**(116)**	(108)
Amounts due for settlement after one year			**187**	304

23. OBLIGATIONS UNDER FINANCE LEASES (Continued)

It is the Group's policy to lease certain of its motor vehicles under finance leases. The average lease term is 5 years (2012: 5 years) and interest rates are fixed at the contract dates.

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.

24. CONVERTIBLE LOANS

Pursuant to a subscription agreement dated 20 January 2010, the Company issued convertible notes with principal value of HK$116,000,000 on 14 April 2010 ("CN1") to Edison International Inc. ("Edison"). Edison is entitled to convert the principal amount in whole or in part of HK$116,000,000 into new ordinary shares of the Company, at a conversion price being the higher of (i) the average of the closing price of the shares of any three consecutive trading days (as selected by the debenture holder) within the sixty trading days immediately prior to the conversion date and (ii) the par value for the time being of the Shares, which is HK$0.10, and at any time between the date of issue of CN1 and 31 December 2014. If CN1 are not converted before 31 December 2014, they will be redeemed at par on 31 December 2014. CN1 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. Details of CN1 are set out in the Company's circular dated 16 March 2010 and announcements dated 21 January 2010, 1 March 2010, 1 April 2010 and 21 April 2010.

Pursuant to a subscription agreement dated 20 January 2010, the Company agreed to issue convertible notes with principal value of US$85,500,000 (or approximately HK$662,625,000) on 21 April 2010 ("CN2") to Pioneer Link Associates Limited ("Pioneer Link"). Pioneer Link is entitled to convert the principal amount in whole or in part of HK$662,625,000 into new ordinary shares of the Company, at a conversion price being the higher of (i) the average of the closing price of the shares of any three consecutive trading days (as selected by the debenture holder) within the sixty trading days immediately prior to the conversion date and (ii) the par value for the time being of the shares, which is HK$0.10, and at any time between the date of issue of CN2 and 31 December 2014. If CN2 are not converted before 31 December 2014, they will be redeemed at par on 31 December 2014. CN2 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. Details of CN2 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.

On 21 April 2010, the Company received a partial payment of HK$88,700,000 for CN2. Pioneer Link failed to complete the subscription agreement on or before the intended completion date of 21 April 2010. A supplemental agreement was entered into between the Company and Pioneer Link to further extend the completion date to 21 October 2010.

24. CONVERTIBLE LOANS (Continued)

Up to 21 October 2010, the Company had received an aggregate amount of HK$138,500,000 representing partial payment of the consideration for CN2. A supplemental agreement was entered into between the Company and Pioneer Link to further extend the completion date to 21 October 2011. Up to 19 November 2010, the Company had received an aggregate amount of HK$153,500,000 representing partial payment of the consideration for CN2. Details are set out in the Company's announcements dated 21 October 2010, 2 November 2010 and 19 November 2010.

Up to 21 October 2011, the completion date of the supplemental agreement, the Company had received an aggregate amount of HK$207,500,000 representing partial payment of the consideration for CN2. Subscription monies of HK$455,125,000 remained unpaid by Pioneer Link and no new convertible notes will be issued thereto under the contract.

Pursuant to a subscription agreement dated 20 January 2010, the Company issued convertible notes with principal value of US$1,000,000 (or approximately HK$7,750,000) on 20 April 2010 ("CN3") to Trueworthy Group Limited ("Trueworthy"). Trueworthy is entitled to convert the principal amount in whole or in part of HK$7,750,000 into new ordinary shares of the Company, at a conversion price being the higher of (i) the average of the closing price of the shares of any three consecutive trading days (as selected by the debenture holder) within the sixty trading days immediately prior to the conversion date and (ii) the par value for the time being of the shares, which is HK$0.10, and at any time between the date of issue of CN3 and 31 December 2014. If CN3 are not converted before 31 December 2014, they will be redeemed at par on 31 December 2014. CN3 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. Details of CN3 are set out in the Company's circular dated 16 March 2010 and announcements dated 21 January 2010, 1 March 2010, 1 April 2010 and 21 April 2010.

The fair values of the debt element and the conversion options element of CN1, CN2 and CN3 are determined by the directors of the Company with reference to the valuation performed by Ample Appraisal Limited, an independent firm of professional valuers based on the discounted cash flow method.

The net proceeds received from the issue of CN1, CN2 and CN3 have been split between the liability components and equity components, as follows:

	CN1 HK$'000	CN2 HK$'000	CN3 HK$'000	Total HK$'000
Nominal values of convertible loans issued	116,000	207,500	7,752	331,252
Transaction costs	(2,050)	–	–	(2,050)
Equity components	(16,933)	(15,411)	(1,132)	(33,476)
Liability components at date of issue	97,017	192,089	6,620	295,726

24. CONVERTIBLE LOANS (Continued)

The movement of liability components of the convertible loans for the two years ended 31 December 2013 and 2012 is set out below:

	CN1 HK$'000	CN2 HK$'000	CN3 HK$'000	Total HK$'000
Liability components at 1 January 2012	23,228	55,955	6,982	86,165
Interest charged (note 9)	2,151	4,870	851	7,872
Interest paid	(1,920)	(4,560)	(624)	(7,104)
Liability components at 31 December 2012 and 1 January 2013	23,459	56,265	7,209	86,933
Interest charged (note 9)	1,808	3,056	590	5,454
Interest paid	(1,583)	(2,681)	(425)	(4,689)
Converted into ordinary shares of the Company	(23,684)	(56,640)	(7,374)	(87,698)
Liability components at 31 December 2013	–	–	–	–

The interests charged for the year for CN1, CN2 and CN3 are calculated by applying the effective interest rates of 9.17%, 8.64% and 11.92% (2012: 9.17%, 8.64% and 11.92%), respectively to the liability components.

25. PROMISSORY NOTE

	2013 **HK$'000**	2012 HK$'000
At 1 January (note i)	**–**	68,336
At the date of issue (note ii)	**117,535**	–
Interest charged (note 9)	**8,635**	2,591
Early redemption during the year (note iii)	**–**	(70,927)
At 31 December	**126,170**	–

25. PROMISSORY NOTE (Continued)

Notes:

(i) The Promissory Note is measured at amortised cost using the effective interest method with the effective interest rate at 12.29% per annum.

On 20 September 2010, the Group issued a promissory note with a principal amount of HK$250,000,000 to Mr. Jay Chun, the Chairman and an executive director of the Company, as part of the consideration for the Group's acquisition of a patent 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 amount as follows: 8% within the first year, 6% within the second year, 4% within the third year and 2% within the fourth year.

(ii) The Promissory Note is measured at amortised cost using the effective interest method with the effective interest rate at 13.36% per annum.

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 and an executive director of the Company, as part of the consideration for the Group's acquisition of patents and patent applications in the 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 amount as follows: 4% within the first year, 3% within the second year, 2% within the third year and 1% within the fourth year.

(iii) During the year ended 31 December 2013, the Group redeemed principal amount of HK$nil (2012: HK$83,722,000). The loss on early redemption was the difference between the discounted repayment amount and the respective carrying amount at the date of redemption totalling HK$nil (2012: HK$70,927,000).

26. DEFERRED TAX LIABILITIES

The movements in deferred tax liabilities during the year are as follows:

	2013 **HK$'000**	2012 HK$'000
At 1 January	**12,800**	–
(Credited)/Charged to the consolidated statement of profit or loss	**(800)**	12,800
At 31 December	**12,000**	12,800

At 31 December 2013, the Group had unused tax losses of approximately HK$57,415,000 (2012: HK$57,415,000) available to offset against future taxable profits. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately HK$nil (2012: HK$nil). Other losses may be carried forward indefinitely.

27. SHARE CAPITAL

	Number of shares of HK$0.001 each 2013 '000	2012 '000	Number of shares of HK$0.10 each 2013 '000	2012 '000	Share capital 2013 HK$'000	2012 HK$'000
Authorised:						
At beginning of the year	–	–	10,000,000	10,000,000	1,000,000	1,000,000
Capital reorganisation	1,000,000,000	–	(10,000,000)	–	–	–
At end of the year	1,000,000,000	–	–	10,000,000	1,000,000	1,000,000
Issued and fully paid:						
At beginning of the year	–	–	2,841,445	2,841,445	284,144	284,144
Capital reorganisation (note i)	315,144	–	(3,151,445)	–	(314,829)	–
Issue of consideration shares (note 17)	600,000	–	–	–	600	–
Issue of shares by placement (note ii)	33,739	–	–	–	34	–
Issue of shares on exercise of options and warrants (notes iii and iv)	13,300	–	–	–	13	–
Issue of shares on conversion of convertible loans (note 24)	62,998	–	310,000	–	31,063	–
At end of the year	1,025,181	–	–	2,841,445	1,025	284,144

Notes:

(i) Pursuant to the resolutions passed at the special general meeting held on 3 June 2013, the Company effected the capital reorganisation (the "Capital Reorganisation") which comprised share consolidation, capital reduction, share premium reduction and share subdivision. Immediately upon the Capital Reorganisation becoming effective on 19 June 2013, the authorised share capital of the Company was HK$1,000,000,000 divided into 1,000,000,000,000 shares of HK$0.001 each and 315,144,477 shares were in issue.

Details of the Capital Reorganisation are disclosed in the Company's announcements dated 7 January 2013, 28 February 2013, 18 March 2013, 30 April 2013, 8 May 2013, 3 June 2013 and 19 June 2013 and a circular dated 9 May 2013.

(ii) Pursuant to a subscription agreement dated 4 November 2013, 33,739,130 new shares of the Company were issued at the subscription price of HK$2.30 per subscription share. Details of the issue of the shares are disclosed in the Company's announcement dated 4 November 2013.

(iii) Pursuant to a subscription agreement dated 10 August 2013, 45,500,000 unlisted warrants with nominal value of HK$59,150,000 were issued to Silver Coast Holdings Limited ("Silver Coast"). Silver Coast is entitled to subscribe for up to 45,500,000 new shares of the Company at the subscription price of HK$1.30 during the one-year subscription period commencing on 22 August 2013 and expiring on 21 August 2014. Details of the issue of unlisted warrants are disclosed in the Company's announcement dated 11 August 2013.

10,000,000 unlisted warrants granted were exercised during the year ended 31 December 2013 (2012: nil).

Unexercised warrants do not confer rights on the holder to dividends or to vote at shareholders' meetings.

(iv) 3,300,000 share options granted were exercised during the year ended 31 December 2013 (2012: nil) (note 29).

28. RESERVES

(i) Share premium account

Share premium represents premium arising from the issue of shares at a price in excess of their par value per share and is not distributable but may be applied in paying up unissued shares of the Company to be issued to the shareholders of the Company as fully paid bonus shares or in providing for the premiums payable on the repurchase of shares.

(ii) Special reserve represents the aggregate of:

– the difference between the nominal amount of the share capital issued by the Company and the aggregate of the nominal amount of the issued share capital and the share premium account of LifeTec (Holdings) Limited, the subsidiary which was acquired by the Company pursuant to the group reorganisation in 1996, and

– the effects of the capital reduction, share premium cancellation and elimination of accumulated losses, took place in 1999 and 2013.

(iii) Convertible loans reserve

The convertible loans reserve represents the value of the unexercised equity component of convertible notes issued by the Company recognised in accordance with the accounting policy adopted for convertible loans in note 3(p).

(iv) Option reserve

The option reserve represents the fair value of the actual or estimated number of unexercised share options granted to employees and consultants of the Group recognised in accordance with the accounting policy adopted for equity-settled share-based payments in note 3(p).

(v) Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 3(i).

(vi) Warrant reserve

The warrant reserve represents the fair value of the unexercised warrants issued by the Company recognised in accordance with the accounting policy adopted for equity instruments in note 3(p).

29. SHARE-BASED PAYMENTS

Equity-settled share option schemes

Pursuant to the share option scheme adopted by the Company on 15 July 2002 (the "Old Scheme") the Company may grant options to the directors and employees of the Group; any supplier of goods or services to the Group; any customer of the Group; any adviser or consultant of the Group; any person or entity that provides research, development or other technological support to the Group; or any shareholders of the Group (collectively referred to as the "Eligible Participants"), at the exercise price determined by the directors of the Company, and will not be less than the highest of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the shares on the offer date. Options granted under the Old Scheme may be exercised at any time from the date of grant of the share option to the fifth anniversary of the date of grant.

The Old Scheme expired on 14 July 2007 and was replaced by the existing share option scheme which was adopted by the Company on 30 July 2007 (the "Existing Scheme') for the purpose of providing incentives or rewards to the Eligible Participants for the contribution to the success of the Group's operations. All outstanding options granted under the Old Scheme continue to be valid and exercisable in accordance with the terms of the Old Scheme. The Existing Scheme will expire on 29 July 2017.

Initially, the total number of shares in respect of which options may be granted under the Existing Scheme must not in aggregate exceed 10% of the shares in issue as at 30 July 2007, being the date of adoption of the Existing Scheme, without prior approval from the Company's shareholders. The total number of shares issued and to be issued upon exercise of the options granted to each Eligible Participant in any twelve-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of shares options in excess of this limit is subject to shareholders' approval in general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK$5 million, within any twelve-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 21 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than ten years from the date of the offer of the share options or the expiry date of the Existing Scheme, if earlier.

29. SHARE-BASED PAYMENTS (Continued)

Equity-settled share option schemes (Continued)

The exercise price of the share options is determinable by the directors, but may not be less than the highest of (i) the Stock Exchange closing price of the Company' shares on the date of the offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the Company's shares on the date of the offer.

Share options do not confer rights on the holder to dividends or to vote at shareholders' meetings.

Details of the movements in the Company's share options during the year ended 31 December 2013 are as follows:

Old Scheme

There is no share options outstanding under the Old Scheme during the year ended 31 December 2013.

Existing Scheme

			Number of share options			
Date of grant	Exercisable period	Exercise price per share HK$	Outstanding at 1 January 2013	Adjusted during the year	Exercised during the year	Outstanding at 31 December 2013
Category: Employee						
29.01.2011	29.01.2011 to 28.01.2016	1.0000	33,000,000	(29,700,000)	(1,650,000)	1,650,000
Category: Consultants						
29.01.2011	29.01.2011 to 28.01.2016	1.0000	33,000,000	(29,700,000)	(1,650,000)	1,650,000
Total all categories			66,000,000	(59,400,000)	(3,300,000)	3,300,000
Exercisable at the end of the year						3,300,000
Weighted average exercise price (HK$)			0.1000	–	1.0000	1.0000

The number of share options outstanding have been adjusted to take into effect of the capital reorganisation effective on 19 June 2013 as set out in note 27.

29. SHARE-BASED PAYMENTS (Continued)

Details of the movements in the Company's share options during the year ended 31 December 2012 are as follows:

Old Scheme

Date of grant	Exercisable period	Exercise price per share HK$	Number of share options: Outstanding at 1 January 2012	Lapsed during the year	Outstanding at 31 December 2012
Category: Employees					
08.05.2007	08.05.2007 to 07.05.2012	2.4200	440,000	(440,000)	–
08.05.2007	08.05.2008 to 07.05.2012	2.4200	450,000	(450,000)	–
Category: Consultants					
08.05.2007	08.05.2007 to 07.05.2012	2.4200	24,300,000	(24,300,000)	–
Total all categories			25,190,000	(25,190,000)	–
Exercisable at the end of the year					–
Weighted average exercise price (HK$)			2.4200	2.4200	–

29. SHARE-BASED PAYMENTS (Continued)

Existing Scheme

Date of grant	Exercisable period	Exercise price per share HK$	Number of share options: Outstanding at 1 January 2012	Lapsed during the year	Outstanding at 31 December 2012
Category: Employee					
09.10.2007	09.10.2007 to 08.10.2012	1.8000	3,600,000	(3,600,000)	–
08.11.2007	08.11.2008 to 07.11.2012	2.1200	200,000	(200,000)	–
29.01.2011	29.01.2011 to 28.01.2016	0.1000	33,000,000	–	33,000,000
Category: Consultants					
09.10.2007	09.10.2007 to 08.10.2012	1.8000	22,800,000	(22,800,000)	–
29.01.2011	29.01.2011 to 28.01.2016	0.1000	33,000,000	–	33,000,000
Total all categories			92,600,000	(26,600,000)	66,000,000
Exercisable at the end of the year					66,000,000
Weighted average exercise price (HK$)			0.5890	1.8024	0.1000

3,300,000 share options granted were exercised during the year ended 31 December 2013 (2012: nil).

The share options outstanding as at 31 December 2013 had a weighted average remaining contractual life of 2.08 years (2012: 3.08 years).

No equity settled employees benefit (including directors' emoluments) was recognised for the year ended 31 December 2013 (2012: nil).

Share options were granted to certain consultants pursuant to the consultancy agreements entered into between LifeTec (Holdings) Limited, a subsidiary of the Company, and each of the consultants for a period of five years commencing from the respective dates of the consultancy agreements as consideration for the following services to be provided by these consultants:

(a) identify potential strategic investors and financial investors for the Group;

(b) assist the Group in negotiating with the potential strategic investors and financial investors;

(c) provide consultancy services in relation to the development of the gaming business of the Group; and

(d) carry out other duties as appropriate and as agreed with LifeTec (Holdings) Limited.

30. CONTINGENT LIABILITIES

(a) On 15 September 1999, LifeTec Enterprise Limited ("LifeTec Enterprise"), a subsidiary of the Company, was named as a defendant in a High Court action in respect of an alleged failure to repay a loan in an amount of HK$20,000,000. The plaintiff took out an application for summary judgement under Order 14 of the Rules of the High Court on 6 October 1999 and in the hearing of the application on 25 October 1999, LifeTec Enterprise was given unconditional leave to defend the plaintiff's claim in the above action. LifeTec Enterprise filed its Defense on 8 November 1999. The plaintiff should have filed its reply, if any, 14 days thereafter, but LifeTec Enterprise had not received any reply from the plaintiff and the time for the plaintiff to file the same has long expired and the pleadings should be deemed to be closed. The directors believe that there is no ground for the above claim and that it will not have any material adverse impact on the Group's operations.

(b) In 2012, the Company had been served with a summon issued by the Macau Judicial Base Court ("Tribunal Judicial de Base"), pursuant to which SHFL Entertainment (Asia) Limited (formerly known as Shuffle Master Asia Limited) ("SHFL Macau") has commenced injunction proceedings against the Company, its subsidiaries (i) LT Game Limited ("LT Game") (an entity which owns the global (including Macau) rights to use, distribute and maintain the material and equipment that uses the invention object of the Macau Invention Patent No. I/000150 ("Patent I/150") and the Macau Invention Patent No. I/000380 ("Patent I/380")), and (ii) Natural Noble Limited ("Natural Noble") (the owner of Patent I/380) and Mr. Jay Chun (the Chairman and an executive director of the Company, the inventor and registered owner of Patent I/150) (collectively, the"Respondents") (the "Injunction").

The Injunction seeks orders to restrain, amongst others, the Respondents from, amongst other things, (i) making any representation or expression on any monopoly right over all and any solutions allowing players to play remotely in real time on a plurality of live games; and (ii) unfairly competing with SHFL Macau in any manner, amongst other ancillary petitions. Details of the Injunction and Macau First Instance Court decision are set out in the Company's announcement dated 1 November 2012 and 19 November 2013. Following the dismissal of the injunction filed by SHFL Macau by Macau First Instance Court, SHFL Macau appealed against the dismissal before the Macau Second Instance Court, which the outcome of the appeal is pending.

(c) As at the date of this report, the main lawsuit in relation to the violation of the Macau registered Patents I/150 and I/380 is pending. SHFL Macau contested against the lawsuit and requested the invalidation of the grant of the Patents I/150 and I/380. The directors believe that it will not have any material adverse impact on the Group's operations.

31. OPERATING LEASE COMMITMENTS

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

	2013 **HK$'000**	2012 HK$'000
Within one year	**9,571**	7,241
In the second to fifth year inclusive	**7,057**	7,608
	16,628	14,849

Leases relate to directors' quarters, warehouse facilities and office premises and are negotiated for average terms of one to five (2012: one to five) years.

32. CAPITAL COMMITMENTS

	2013 **HK$'000**	2012 HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
Acquisition of property, plant and equipment	**33,693**	18,780
	33,693	18,780

33. RETIREMENT BENEFITS SCHEME

The Group operated a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of the relevant payroll costs to the scheme, which contribution is matched by employees.

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

The only obligation of the Group with respect to these retirement benefit schemes is to make the specified contributions. During the year ended 31 December 2013, the total retirement benefit scheme contributions charged to the consolidated statement of profit or loss amounted to approximately HK$800,000 (2012: HK$532,000).

34. RELATED PARTY TRANSACTIONS

(a) 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 year:

	Directors		Associate		Related party	
	2013	2012	**2013**	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Consultancy fees paid to (notes a & b)	**–**	–	**–**	–	**–**	367
Salaries and other benefits paid to (notes b & c)	**–**	–	**–**	–	**5,404**	4,793
Amount due from (notes d & e)	**–**	–	**6,089**	9,689	**–**	–
Amounts due to (note d)	**3,947**	6,364	**–**	–	**–**	–

Notes:

(a) The related party is the son of Mr. Shan Shiyong, alias, Sin Sai Yung, an executive director of the Company.

(b) The transactions were charged at predetermined amounts agreed between the parties involved.

(c) The related party is the spouse of Mr. Jay Chun, the Chairman and an executive director of the Company.

(d) The amounts due are unsecured, interest free and have no fixed terms of repayment.

(e) Impairment of approximately HK$43,000 (2012: HK$82,000) has been made for the year for the amount due from an associate as set out in note 12.

(b) On 2 November 2012, the Group also entered into an agreement with Mr. Jay Chun, the Chairman and an executive director of the Company, for the acquisition of various patents and patent applications in the US. The details of the acquisition were disclosed in the Company's announcements dated 7 January 2013, 28 February 2013, 18 March 2013, 30 April 2013, 8 May 2013, 3 June 2013 and 19 June 2013 and a circular dated 9 May 2013.

34. RELATED PARTY TRANSACTIONS (Continued)

(c) Key Management Personnel Remuneration

	2013 HK$'000	2012 HK$'000
Short-term employee benefits	**35,903**	30,443
Retirement benefits scheme contributions	**43**	40
	35,946	30,483

Further details of directors' remuneration are included in note 13.

35. SUBSIDIARIES

Particulars of the Group's subsidiaries as at 31 December 2013 are as follows:

Name of subsidiary	Place of incorporation/ registration	Issued and fully paid share capital/ registered capital	Class of share	Proportion of ownership interest			Principal activities
				Group's effective interest	Held by the Company	Held by subsidiaries	
Asset Manager Enterprises Limited	Hong Kong	HK$100	Ordinary	100%	–	100%	Inactive
Bright View Limited	Macau	MOP25,000	Ordinary	100%	–	100%	Inactive
Central Jade Limited	Macau	MOP25,000	Ordinary	100%	–	100%	Inactive
Cherish Card Limited	British Virgin Islands	US$1	Ordinary	100%	–	100%	Inactive
CTI Limited	Hong Kong	HK$10	Ordinary	70%	–	70%	Inactive
Dream World Limited	Macau	MOP25,000	Ordinary	100%	–	100%	Inactive
Elite Limited	Macau	MOP25,000	Ordinary	100%	–	100%	Inactive
Fairy Host Limited	British Virgin Islands	US$1	Ordinary	82%	–	82%	Inactive
Forte Corporate Limited	British Virgin Islands	US$1	Ordinary	100%	–	100%	Inactive
Fun Success Limited	Macau	MOP25,000	Ordinary	82%	–	82%	Inactive
Fun Union Limited	British Virgin Islands	US$1	Ordinary	82%	–	82%	Inactive

35. SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ registration	Issued and fully paid share capital/ registered capital	Class of share	Proportion of ownership interest			Principal activities
				Group's effective interest	Held by the Company	Held by subsidiaries	
Good Note International limited	British Virgin Islands	US$1	Ordinary	100%	–	100%	Inactive
Grant Future Limited	Macau	MOP25,000	Ordinary	100%	–	100%	Inactive
Great Fun Limited	Macau	MOP25,000	Ordinary	100%	–	100%	Inactive
Hop Fu (Hong Kong) Trading Company Limited	Hong Kong	HK$10,000	Ordinary	100%	–	100%	Inactive
Huge Rise Limited	Macau	MOP25,000	Ordinary	100%	–	100%	Inactive
Joy Union Limited	Macau	MOP25,000	Ordinary	100%	–	100%	Inactive
LifeTec (Holdings) Limited	British Virgin Islands	HK$141,176	Ordinary	100%	100%	–	Investment holding
LifeTec Enterprise Limited	Hong Kong	HK$100	Ordinary	100%	–	100%	Provision of management and consulting services
LT (Macau) Limited	Macau	MOP1,000,000	Ordinary	100%	–	100%	Provision of management service and operation of electronic gaming system
LT Capital Limited	British Virgin Islands	US$1	Ordinary	100%	–	100%	Investment holding
LT Card Limited	British Virgin Islands	US$1	Ordinary	100%	–	100%	Development of membership card services
LT Champion Limited	British Virgin Islands	US$1	Ordinary	100%	–	100%	Inactive
LT Cleaning Limited	Macau	MOP25,000	Ordinary	100%	–	100%	Inactive
LT Cosmos Limited	British Virgin Islands	US$1	Ordinary	100%	–	100%	Investment holding
LT Finance Limited	British Virgin Islands	US$1	Ordinary	100%	–	100%	Investment holding
LT Fortune Limited	Macau	MOP25,000	Ordinary	100%	–	100%	Inactive
LT Game (Canada) Limited	Canada	CAD100	Ordinary	100%	–	100%	Inactive

35. SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ registration	Issued and fully paid share capital/ registered capital	Class of share	Proportion of ownership interest			Principal activities
				Group's effective interest	Held by the Company	Held by subsidiaries	
LT Game Limited	British Virgin Islands	US$5,000	Ordinary	82%	–	82%	Development, supply and sales of electronic gaming system
LT Game Pachinko Limited	British Virgin Islands	US$1	Ordinary	82%	–	82%	Inactive
LT Global Limited	Macau	MOP25,000	Ordinary	100%	–	100%	Inactive
LT Harvest Limited	Macau	MOP25,000	Ordinary	100%	–	100%	Inactive
LT Jewellery Limited	Macau	MOP25,000	Ordinary	100%	–	100%	Inactive
LT Legend Limited	British Virgin Islands	US$1	Ordinary	100%	–	100%	Inactive
LT Mart Gift Limited	Macau	MOP25,000	Ordinary	100%	–	100%	Inactive
LT Trade Solutions Limited	British Virgin Islands	US$1	Ordinary	100%	–	100%	Investment holding
LT Union Limited	British Virgin Islands	US$1	Ordinary	100%	–	100%	Investment holding
Luck Access Limited	Macau	MOP25,000	Ordinary	100%	–	100%	Inactive
Natural Noble Limited	British Virgin Islands	US$1	Ordinary	100%	–	100%	Acquisition of patent
New Wahdo Customer Service Limited	Macau	MOP25,000	Ordinary	80%	–	80%	Provision of management service
Shenzhen Caijing Software Technology Co., Ltd (note a)	PRC	RMB500,000	Registered capital	100%	–	100%	Inactive
Solution Champion Limited	British Virgin Islands	US$1	Ordinary	100%	–	100%	Acquisition of patent
Sunny Link Trading limited	Hong Kong	HK$2	Ordinary	100%	–	100%	General trading

35. SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ registration	Issued and fully paid share capital/ registered capital	Class of share	Proportion of ownership interest			Principal activities
				Group's effective interest	Held by the Company	Held by subsidiaries	
Super Satisfaction Limited	British Virgin Islands	US$1	Ordinary	82%	–	82%	Inactive
Tech (Macau) Limited	Macau	MOP25,000	Ordinary	82%	–	82%	Inactive
Top General Renovation and Decoration Limited	Macau	MOP25,000	Ordinary	100%	–	100%	Inactive
Top Growth Limited	Macau	MOP25,000	Ordinary	100%	–	100%	Inactive
Top Ocean Limited	Macau	MOP25,000	Ordinary	100%	–	100%	Inactive
Waldo Champion Limited	British Virgin Islands	US$1	Ordinary	80%	–	80%	Investment holding
Waldo Customer Service Limited	British Virgin Islands	US$10	Ordinary	80%	–	80%	Investment holding
Waldo Service Limited	British Virgin Islands	US$5	Ordinary	80%	–	80%	Inactive
Waldo Sky Limited	British Virgin Islands	US$1	Ordinary	80%	–	80%	Investment holding
Well Fortune Limited	Macau	MOP25,000	Ordinary	100%	–	100%	Inactive
Yip Hing Toys Manufactory Limited	Hong Kong	HK$100,000	Ordinary	100%	–	100%	Inactive
Zhuhai Caijing Software Technology Co., Ltd (note a)	PRC	RMB500,000	Registered Capital	100%	–	100%	Inactive

Notes:

(a) The subsidiaries are established in the PRC as wholly owned foreign enterprises.

(b) Apart from Zhuhai Caijing Software Technology Co., Ltd. and Shenzhen Caijing Software Technology Co., Ltd. which carry out their principal activities in the PRC; LT Game (Canada) Limited which carries out its principal activities in Canada; and subsidiaries incorporated in Macau which carry out their principal activities in Macau, the principal activities of the remaining subsidiaries are carried out in Hong Kong.

36. MAJOR NON-CASH TRANSACTION

Consideration for the acquisition of the patent and patent applications of the betting terminal system in the US from Mr. Jay Chun, the Chairman and an executive Director, was partially satisfied by the issue of a promissory note with principal amount of HK$200,000,000 (note 25) and the issue of consideration shares of HK$480,000,000 (note 27) during the year ended 31 December 2013.

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2013 **HK$'000**	2012 HK$'000
Non-current assets		
Interests in subsidiaries	**1,086,971**	478,017
Current assets		
Prepayments and deposits	**157**	437
Bank and cash balances	**74,248**	28
	74,405	465
Current liabilities		
Other creditors and accrued charges	**1,293**	4,753
Amounts due to directors	**488**	678
	1,781	5,431
Net current assets (liabilities)	**72,624**	(4,966)
Total assets less current liabilities	**1,159,595**	473,051
Non-current liabilities		
Convertible loans – due after one year	**–**	86,933
Promissory Note	**126,170**	–
	126,170	86,933
Net assets	**1,033,425**	386,118
Capital and reserves		
Share capital	**1,025**	284,144
Reserves	**1,032,400**	101,974
Total equity	**1,033,425**	386,118

Financial Summary

	For the year ended 31 December				
	2009 HK$'000	2010 HK$'000	2011 HK$'000	2012 HK$'000	**2013** **HK$'000**
RESULTS					
CONTINUING OPERATIONS					
Turnover	200,821	267,174	464,582	728,954	**1,030,455**
(Loss) profit before tax	(41,328)	(74,375)	38,169	148,422	**103,789**
Income tax expenses	–	–	–	(26,206)	**(11)**
(Loss) profit for the year from continuing operations	(41,328)	(74,375)	38,169	122,216	**103,778**
DISCONTINUED OPERATION					
(Loss) profit for the year from discontinued operation	(125,911)	(400)	1,167	21,093	**–**
(Loss) profit for the year	(167,239)	(74,775)	39,336	143,309	**103,778**
Attributable to:					
Owners of the Company	(167,234)	(74,774)	35,543	126,698	**96,733**
Non-controlling interests	(5)	(1)	3,793	16,611	**7,045**
	(167,239)	(74,775)	39,336	143,309	**103,778**

ASSETS AND LIABILITIES

	At 31 December				
	2009 HK$'000	2010 HK$'000	2011 HK$'000	2012 HK$'000	**2013** **HK$'000**
Total assets	239,646	472,890	502,171	612,946	**1,482,325**
Total liabilities	(207,912)	(348,680)	(235,708)	(204,242)	**(307,035)**
Total equity	31,734	124,210	266,463	408,704	**1,175,290**