



PARADISE ENTERTAINMENT LIMITED

滙彩控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1180)



Interim Report

2012

** For identification purposes only*

RESULTS

The board of directors (the "Board") of Paradise Entertainment Limited (the "Company") hereby announces the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2012 together with the comparative figures for the relevant period in 2011 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited	
		Six months ended 30 June	
		2012	2011
	Notes	HK\$'000	HK\$'000
			(Restated)
Continuing operations			
Turnover	3	318,103	205,603
Cost of sales and services		(107,219)	(81,561)
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Gross profit		210,884	124,042
Other income		1,100	6,602
Marketing, selling and distribution costs		(60,991)	(40,055)
Administrative expenses		(75,585)	(52,330)
Impairment loss for doubtful debts		(557)	(117)
Share-based payments		–	(3,787)
Finance costs		(6,240)	(11,024)
Amortisation of intangible assets		(6,069)	(6,069)
Loss on early redemption of promissory note		(9,297)	(15,886)
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Profit before tax		53,245	1,376
Income tax expenses	6	(21,500)	–
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Profit for the period from continuing operations		31,745	1,376
Discontinued operation			
Profit (loss) for the period from discontinued operation	7	21,093	(892)
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Profit for the period	4	52,838	484
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CONDENSED CONSOLIDATED INCOME STATEMENT (CONTINUED)

		Unaudited	
		Six months ended 30 June	
		2012	2011
	Notes	HK\$'000	HK\$'000
			(Restated)
Attributable to:			
Owners of the Company		47,357	484
Non-controlling interests		5,481	–
		52,838	484
Earnings per share (HK cents)			
From continuing and discontinued operations	8		
– Basic		1.67	0.02
– Diluted		1.38	N/A
From continuing operations			
– Basic		0.92	0.05
– Diluted		0.81	N/A

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited	
	Six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
Profit for the period	52,838	484
Other comprehensive income		
Net gain recognised directly in equity exchange translation differences	16	1,658
Total comprehensive income for the period, net of tax	52,854	2,142
Total comprehensive income attributable to:		
Owners of the Company	47,376	2,141
Non-controlling interests	5,478	1
	52,854	2,142

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Unaudited	Audited
		30 June	31 December
		2012	2011
	Notes	HK\$'000	HK\$'000
Non-current assets			
Property, plant and equipment	9	142,919	148,869
Intangible assets	10	159,814	165,883
		302,733	314,752
Current assets			
Inventories		11,166	200
Debtors, deposits and prepayments	11	64,540	61,033
Bank and cash balances		142,300	126,186
		218,006	187,419
Current liabilities			
Creditors and accrued charges	12	66,847	74,443
Amounts due to directors	18	3,773	2,567
Obligations under finance leases – due within one year	13	107	1,318
Current tax liabilities		8,500	2,467
		79,227	80,795
Net current assets		138,779	106,624
Total assets less current liabilities		441,512	421,376

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

		Unaudited	Audited
		30 June	31 December
		2012	2011
	Notes	HK\$'000	HK\$'000
Non-current liabilities			
Obligations under finance leases			
– due after one year	13	359	412
Convertible loans – due after one year	14	86,563	86,165
Promissory note	15	23,424	68,336
Deferred tax liabilities		13,000	–
		123,346	154,913
Net assets		318,166	266,463
Capital and reserves			
Share capital	16	284,144	284,144
Reserves		24,692	(21,432)
Equity attributable to owners of the Company		308,836	262,712
Non-controlling interests		9,330	3,751
Total equity		318,166	266,463

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

	Unaudited	
	Six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
Net cash generated from operating activities	87,546	28,143
Net cash (used in) investing activities	(11,342)	(4,903)
Net cash (used in) financing activities	(60,109)	(6,259)
Net increase in cash and cash equivalents	16,095	16,981
Effect of foreign exchange rate changes	19	2,032
Cash and cash equivalents at beginning of the period	126,186	83,431
Cash and cash equivalents at end of the period	142,300	102,444
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS, represented by		
Bank and cash balances	142,300	102,444

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For six months ended 30 June 2012

	Attributable to owners of the Company								Non-controlling interests	Total equity
	Share capital	Share premium	Special reserve	Option reserve	Convertible loans reserve	Translation reserve	Accumulated losses	Sub-total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2012	284,144	581,629	88,643	57,841	6,235	22,423	(778,203)	262,712	3,751	266,463
Total comprehensive income for the period	-	-	-	-	-	19	47,357	47,376	5,478	52,854
Transfer of share option reserve upon the lapse of share options	-	-	-	(26,923)	-	-	26,923	-	-	-
Disposal of subsidiaries	-	-	-	-	-	(1,252)	-	(1,252)	101	(1,151)
At 30 June 2012	284,144	581,629	88,643	30,918	6,235	21,190	(703,923)	308,836	9,330	318,166

For six months ended 30 June 2011

	Attributable to owners of the Company								Non-controlling interests	Total equity
	Share capital	Share premium	Special reserve	Option reserve	Convertible loans reserve	Translation reserve	Accumulated losses	Sub-total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2011	186,344	576,215	88,643	65,062	10,571	22,080	(824,754)	124,161	49	124,210
Total comprehensive income for the period	-	-	-	-	-	1,657	484	2,141	1	2,142
Recognition of equity component of convertible loans	-	-	-	-	1,634	-	-	1,634	-	1,634
Issue of shares on conversion of convertible loans	97,800	5,414	-	-	(5,970)	-	-	97,244	-	97,244
Recognition of share-based payments	-	-	-	3,787	-	-	-	3,787	-	3,787
At 30 June 2011	284,144	581,629	88,643	68,849	6,235	23,737	(824,270)	228,967	50	229,017



NOTES:

(1) Basis of preparation

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

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

(2) Accounting policies

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual audited financial statements for the year ended 31 December 2011.

The application of the new and revised Standards, Amendments or Interpretations issued by the HKICPA has had no material effect on how the results and financial position of the Group for the current or prior accounting period have been prepared and presented. Accordingly, no prior period adjustment is required.

(2) Accounting policies (continued)

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

HKFRS 7 (Amendments)	Disclosures – Offsetting Financial Assets and Financial Liabilities ²
HKFRS 9 and Amendments to HKFRS 9	Financial Instruments ⁴
HKFRS 10	Consolidated Financial Statements ²
HKFRS 11	Joint Arrangements ²
HKFRS 12	Disclosures of Interests in Other Entities ²
HKFRS 13	Fair Value Measurements ²
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income ¹
HKAS 32 (Amendments)	Presentation – Offsetting Financial Assets and Financial Liabilities ³
HKAS 19 (Revised in 2011)	Employee Benefits ²
HKAS 27 (Revised in 2011)	Separate Financial Statements ²
HKAS 28 (Revised in 2011)	Investments in Associates and Joint Ventures ²
HK(IFRIC) – Interpretation 20	Stripping Costs of the Production Phase of a Surface Mine ²

1. Effective for annual periods beginning on or after 1 July 2012

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

3. Effective for annual periods beginning on or after 1 January 2014

4. Effective for annual periods beginning on or after 1 January 2015



(3) Turnover and segment information

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

- Biopharmaceutical – Research, development and sales of biopharmaceutical products which was classified as discontinued operation of the Group and was disposed of during the period.
- Gaming – Provision of management services, development, provision and sales of electronic gaming system

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

(3) Turnover and segment information (continued)

During the period, the Group's operating segments changed as a result of the change in the Group's internal organization structure. The corresponding information for the six months ended 30 June 2011 has been re-stated accordingly.

	Unaudited									
	Six months ended 30 June									
	Continuing operations						Discontinued operation			
	Gaming		Others		Sub-total		Biopharmaceutical		Total	
2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
	(Restated)		(Restated)		(Restated)		(Restated)		(Restated)	
Revenue										
Revenue from external customers	318,103	205,603	-	-	318,103	205,603	20,385	48,337	338,488	253,940
Segment results	82,693	41,400	(13,911)	(13,114)	68,782	28,286	185	(892)	68,967	27,394
Gain on disposal of a subsidiary								20,908		-
Finance costs								(6,240)		(11,024)
Loss on early redemption of promissory note									(9,297)	(15,886)
Profit before tax								74,338		484
Income tax expenses								(21,500)		-
Profit for the period								52,838		484
Other information										
Capital expenditure	8,281	5,344	621	718	8,902	6,062	-	4	8,902	6,066
Depreciation	13,828	13,976	149	113	13,977	14,089	57	111	14,034	14,200

(4) Profit (loss) for the period

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

	Unaudited	
	Six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
		(Restated)
Continuing operations		
Staff costs		
– Directors' remunerations (note 5)	8,303	3,234
– Other staffs		
– Salaries and other benefits	24,369	18,635
– Equity-settled share-based payments (note 19)	–	1,894
– Retirement benefit scheme contributions	213	257
Total staff costs	32,885	24,020
Consultancy fee		
– Equity-settled share-based payments (note 19)	–	1,894
– Others	894	967
	894	2,861
Auditors' remuneration	472	348
Amortisation for intangible assets	6,069	6,069
Cost of inventories recognised as expenses	7,757	–
Depreciation of property, plant and equipment	13,941	14,125
Loss (gain) on disposal of property, plant and equipment	25	(953)
Impairment loss for amount due from an associate	15	117
Operating lease rentals paid in respect of rented premises	3,178	2,546
Discontinued operation		
Staff costs		
– Salaries and other benefits	179	363
– Retirement benefit scheme contributions	42	114
Total staff costs	221	477
Cost of inventories recognised as expenses	19,266	44,706
Depreciation of property, plant and equipment	57	111
Operating lease rentals paid in respect of rented premises	76	106

(5) Directors' remuneration

The remuneration of directors during the period was as follows:

	Unaudited	
	Six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
Directors' fees	180	180
Salaries and other benefits	7,230	2,394
Retirement benefit scheme contributions	13	12
Accommodation benefits	880	648
	8,303	3,234

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

(6) Income tax expenses

The income tax expenses during the period was as follows:

	Unaudited	
	Six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
Provision for:		
Income tax	8,500	–
Deferred tax	13,000	–
	21,500	–



(6) Income tax expenses (continued)

No provision for Hong Kong Profits Tax or PRC Enterprise Income Tax has been made in the financial statements as the Group did not generate any assessable profit in Hong Kong or PRC for the period. The provision for Macau Complementary Tax of HK\$8.5 million (2011: Nil) is calculated on the assessable profit at the prevailing tax rate in Macau in which the Group operates.

Deferred taxation is calculated in full on temporary differences under the liability method using applicable tax rates prevailing in the jurisdictions in which the Group operates. Deferred tax liabilities of HK\$13.0 million (2011: Nil) arising from temporary differences between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. No deferred tax asset has been recognised in respect of tax losses as the recoverability of these potential deferred tax assets is uncertain.

(7) 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 US\$1. 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\$20.9 million has been recognised during the period. The biopharmaceutical business segment which was solely carried out by the Disposed Group was classified as a discontinued operation during the period. The condensed consolidated income statement and presentation of certain items of the corresponding reporting period have been restated to comply with relevant requirements accordingly.

(7) **Discontinued operation (continued)**

An analysis of the results of the discontinued operation is as follows:

	Unaudited	
	Six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
Revenue	20,385	48,337
Cost of sales and services	(19,266)	(44,706)
Gross profit	1,119	3,631
Other income	133	75
Marketing, selling and distribution costs	(286)	(1,206)
Administrative expenses	(781)	(3,392)
Profit (loss) for the period of the discontinued operation	185	(892)
Gain on disposal of the Disposed Group	20,908	–
Profit (loss) for the period from the discontinued operation	21,093	(892)
Attributable to:		
Owners of the Company	21,088	(892)
Non-controlling interests	5	–
	21,093	(892)
Earnings (loss) per share (HK cents)		
– Basic	0.75	(0.03)
– Diluted	0.57	N/A

(7) Discontinued operation (continued)

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

	Unaudited	
	Six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
Net cash (used in) operating activities	(195)	(1,678)
Net cash generated from (used in) investing activities	2	(1)
Net cash generated from (used in) financing activities	59	(2,934)
Net decrease in cash and cash equivalents	(134)	(4,613)

(8) Earnings per share

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

	Unaudited	
	Six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
		(Restated)
Profit (loss)		
Profit (loss) attributable to owners of the Company, used in the basic earnings per share calculation:		
From continuing operations	26,269	1,376
From a discontinued operation	21,088	(892)
	47,357	484
Interest on convertible bonds	3,932	4,670
Profit attributable to owners of the Company before interest on convertible bonds	51,289	5,154
Attributable to:		
Continuing operations	30,201	6,046
Discontinued operation	21,088	(892)
	51,289	5,154

(8) Earnings per share (continued)

	Unaudited	
	Six months ended 30 June	
	2012	2011
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	2,841,444,778	2,504,903,342
Effect of dilutive potential ordinary shares on convertible notes	887,500,000	1,091,113,259
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	3,728,944,778	3,596,016,601

As the effects of all potential ordinary shares are anti-dilutive for the period ended 30 June 2011, no diluted earnings per share was presented for the period ended 30 June 2011.

(9) Property, plant and equipment

During the period, additions to the property, plant and equipment amounted to HK\$8.9 million, which includes HK\$1.8 million of gaming facilities and HK\$6.5 million of leasehold improvements. The Group has disposed of property, plant and equipment with an aggregate net book value of HK\$0.8 million (2011: Nil) during the period.

(10) Intangible assets

During the period, the Group has disposed of intangible assets related to the biopharmaceutical business with no net book value. The decrease in value of intangible assets represents amortisation of a patent regarding the betting terminal system.

(11) Debtors, deposits and prepayments

	Unaudited	Audited
	30 June	31 December
	2012	2011
	HK\$'000	HK\$'000
The ageing analysis of trade debtors is as follows:		
Within 30 days	43,812	33,998
31 - 60 days	–	3,986
61 - 90 days	–	1,492
Over 90 days	–	229
	<hr/> 43,812	39,705
Other debtors, deposits and prepayments	20,728	21,328
	<hr/> 64,540	61,033

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

(12) Creditors and accrued charges

	Unaudited	Audited
	30 June	31 December
	2012	2011
	HK\$'000	HK\$'000
The ageing analysis of trade creditors is as follows:		
Within 30 days	–	4,618
31 - 60 days	–	4,026
61 - 90 days	–	1,664
91 - 365 days	–	1
More than 365 days	–	97
	–	10,406
Value added tax payable	–	9,470
Other creditors and accrued charges	66,847	54,567
	66,847	74,443

(13) Obligations under finance leases

	Minimum lease payments		Present value of minimum lease payments	
	Unaudited	Audited	Unaudited	Audited
	30 June	31 December	30 June	31 December
	2012	2011	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within one year	134	1,350	107	1,318
More than one year, but not exceeding two years	132	132	112	100
More than two years, but not exceeding five years	263	329	247	312
	529	1,811	466	1,730
Less: Future finance charges	(63)	(81)	-	-
Present value of lease obligations	466	1,730	466	1,730
Less: Amounts due for settlement within one year (shown under current liabilities)			(107)	(1,318)
Amounts due for settlement after one year			359	412

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

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

(14) Convertible Loans

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

The subscriptions were approved by the Company's shareholders at a special general meeting held on 1 April 2010. The subscriptions contemplated under subscription agreements I and III were completed on 14 April 2010 and 20 April 2010, respectively.

For subscription agreement II, the Company has received a partial payment of HK\$88,700,000 on 21 April 2010 and entered into a supplemental agreement with the subscriber to extend the completion date to 21 October 2010. On 21 October 2010, the Company further entered into another supplemental agreement with the subscriber to extend the completion date to 21 October 2011.

Up to 21 October 2011 which is the completion date under the second supplemental agreement, the Company had received subscription monies in the aggregate amount of HK\$207,500,000. Subscription monies of HK\$455,125,000 remained unpaid and no more convertible notes will be issued to the subscriber under the agreement.

(14) Convertible Loans (continued)

Details of the above are set out in the Company's circular dated 16 March 2010 and 7 December 2010, and announcements dated 21 January 2010, 1 March 2010, 1 April 2010, 21 April 2010, 23 April 2010, 18 October 2010, 21 October 2010, 2 November 2010 and 19 November 2010.

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

	Unaudited	Audited
	30 June	31 December
	2012	2011
	HK\$'000	HK\$'000
Liability components		
At the beginning of the period/year	86,165	129,178
Liability components at date of issue	–	52,366
Interest charged	3,932	9,788
Interest paid	(3,534)	(7,923)
Converted into ordinary shares of the Company	–	(97,244)
	<hr/>	<hr/>
At end of the period/year	86,563	86,165
	<hr/> <hr/>	<hr/> <hr/>
Equity components		
At the beginning of the period/year	6,235	10,571
Equity components at date of issue	–	1,634
Converted into ordinary shares of the Company	–	(5,970)
	<hr/>	<hr/>
At end of the period/year	6,235	6,235
	<hr/> <hr/>	<hr/> <hr/>

(14) Convertible Loans (continued)

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

	Unaudited	Audited
	30 June	31 December
	2012	2011
	HK\$'000	HK\$'000
Within one year	–	–
More than one year but not more than five years	86,563	86,165
	86,563	86,165

The interests charged for the period for convertible debentures in respect of subscription agreements I, II and III are calculated by applying the effective interest rates of 9.16%, 8.63% and 11.92% (year ended 31 December 2011: 9.17%, 8.64% and 11.92%) respectively to the liability components since the convertible loans were issued.

The directors estimate the carrying value of the liability components approximates its fair value as at 30 June 2012.

(15) Promissory note

	Unaudited 30 June 2012 HK\$'000	Audited 31 December 2011 HK\$'000
At the beginning of the period/year	68,336	119,472
Interest charged	2,291	9,180
Early redemption during the period/year	(47,203)	(60,316)
	<hr/>	<hr/>
At end of the period/year	23,424	68,336

The maturity of the promissory note is as follows:

	Unaudited 30 June 2012 HK\$'000	Audited 31 December 2011 HK\$'000
Within one year	–	–
More than one year but not more than five years	23,424	68,336
	<hr/>	<hr/>
	23,424	68,336

The promissory note is measured at amortised cost using the effective interest method with the effective interest rate at 11.85% per annum.

During the period ended 30 June 2012, the Group redeemed part of the promissory note in the principal amount of HK\$60,106,000 (year ended 31 December 2011: HK\$100,050,000). The loss on early redemption was the difference between the discounted repayment amount and the respective carrying amount at the date of redemption, which was HK\$47,203,000 (year ended 31 December 2011: HK\$60,316,000).

(16) Share capital

	Number of shares '000	Nominal value HK\$'000
Share of HK\$0.10 each		
Authorised:		
At 1 January 2012 and 30 June 2012	10,000,000	1,000,000
Issued and fully paid:		
At 1 January 2012 and 30 June 2012	2,841,445	284,144

(17) Capital commitments

	Unaudited 30 June 2012 HK\$'000	Audited 31 December 2011 HK\$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
Acquisition of property, plant and equipment	8,191	11,927
	8,191	11,927

(18) Related party transactions

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

	Unaudited					
	Six months ended 30 June					
	Directors		Associate		Related parties	
	2012	2011	2012	2011	2012	2011
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Consultancy fee paid to (note a & b)	-	-	-	-	258	227
Salaries and other benefits paid to (note b & e)	-	-	-	-	1,205	600
	Unaudited	Audited	Unaudited	Audited	Unaudited	Audited
	30 June	31 December	30 June	31 December	30 June	31 December
	2012	2011	2012	2011	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amounts due from (note c & d)	-	-	9,622	9,607	-	-
Amounts due to (note c)	3,773	2,567	-	-	-	-

Notes:

- The related party is the son of a director, Mr. Shan Shiyong, alias, Sin Sai Yung.
- The transactions were charged at predetermined amounts agreed between the parties involved.
- The amounts are unsecured, interest free and have no fixed terms of repayment.
- Impairment of approximately HK\$15,000 (30 June 2011: HK\$117,000) has been made for the period for the amount due from an associate. The amount due from an associate was fully impaired.
- The related party is the spouse of a director, Mr. Jay Chun.

(19) Equity-settled share-based payments

On 29 January 2011, 66,000,000 share options were granted by the Group to 2 consultants and 2 employees with fair value of HK\$1,893,500 and HK\$1,893,500, respectively.

The estimated fair value of the share options granted during the period ended 30 June 2011 was determined using the Black-Scholes model. The fair value and significant inputs to the model are as follows:

	Share option grant date 29 January 2011
Fair value at the grant date	HK\$3,787,000
Number of share options granted	66,000,000
Closing share price preceding the grant date	HK\$0.098
Exercise price	HK\$0.100
Expected volatility	72.888%
Expected life	5 years
Risk free rate	1.76%
Expected dividend yield	–

Expected volatility was determined by calculating the historical volatility of the Company's closing share price over the 250 days immediately before each grant date. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of the non-transferability, exercise restrictions and behavioral considerations. The risk-free rate is based on the annual yield of Hong Kong Exchange-Fund Note for the corresponding expected life at the grant date.

The share options have not been exercised as at the date of this report.

(20) Comparative figures

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

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2012 (2011: Nil).

BUSINESS REVIEW AND PROSPECTS

The first half of 2012 was a rewarding period for the Group. As a result of the continued strong performance of the gaming business in Macau, the Group recorded a substantial growth in revenue by approximately 54.7% from HK\$205,603,000 for the six months ended 30 June 2011 to HK\$318,103,000 for the corresponding period in 2012 and achieved a remarkable growth of approximately 10,816.9% in profit from HK\$484,000 for the six months ended 30 June 2011 to HK\$52,838,000 for the corresponding period in 2012. The basic earnings per share was HK1.67 cent, representing a strong increase of 8,250% as compared with HK0.02 cent for the same period last year.

In order to enhance the efficacy of resource allocation, the Group sold the entire issued share capital of its wholly-owned subsidiary LifeTec Pharmaceutical Limited, an investment holding company of pharmaceutical business of the Group, in April 2012. Accordingly, the Group recognized a gain of approximately HK\$21,093,000. The disposal enables the Group to focus on its gaming business in the future.

The Group remains optimistic about the future of Macau's gaming industry. Macau is the only city in China that permits casino gaming. The Group believes that more tourists will visit Macau, which will contribute to the growth of revenue of the Group.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2012, the Group's finance lease, liability component of convertible loans and promissory note stood at HK\$466,000, HK\$86,563,000 and HK\$23,424,000, respectively, of which HK\$107,000, nil and nil, respectively were payable within 12 months. Current liabilities of the Group decreased from HK\$80,795,000 to HK\$79,227,000, representing a decrease of approximately 1.9%. The Group's total liabilities decreased from HK\$235,708,000 to HK\$202,573,000, representing a decrease of approximately 14.1%.

As at 30 June 2012, 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 balances and cash to total assets (excluding bank balances and cash)) was zero as at 30 June 2012 (as at 31 December 2011: 8%)

FOREIGN EXCHANGE EXPOSURE

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

CHARGES ON GROUP ASSETS

As at 30 June 2012, the assets of the Group which were subject to charges for securing obligations under finance leases comprised a motor vehicle and gaming machines with net book value amounting to HK\$525,000 (31 December 2011: HK\$592,000) and HK\$533,000 (31 December 2011: HK\$4,633,000), respectively.

ORGANIZATION AND STAFF

As at 30 June 2012, the Group had 356 (31 December 2011: 379) staff in total. Majority of the staff are marketing and promotion executives located in Macau. The Group is actively seeking talent in Macau, Hong Kong and China in order to cope with the fast growing operations.

The terms of employment of the staff, executives and directors conform to normal commercial practice. Share option benefits are granted to and included in the terms of selected senior executives of the Company.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

(I) SHARES

As at 30 June 2012, the interests and short positions of the directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such director or chief executive was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code"), were as follows:

Directors	Name of company/ associated corporation	Capacity/ Nature of interests	Interests in shares (other than pursuant to equity derivatives) ⁽¹⁾	Interests in underlying shares pursuant to equity derivatives ⁽¹⁾	Total interests in shares/ underlying shares	Approximate aggregate percentage of interests
Mr. Jay Chun	The Company	Beneficial owner/ Personal interest	1,241,600	-	288,208,800	10.14%
	The Company	Interest of controlled corporation/ Corporate interest	286,967,200 ⁽²⁾	-		
Mr. Shan Shiyong, alias, Sin Sai Yung	The Company	Interest of controlled corporation/ Corporate interest	260,975,800 ⁽³⁾	-	260,975,800	9.18%

Notes:

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

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

- (2) These shares were held by August Profit Investments Limited, a company which is wholly owned by Mr. Jay Chun.
- (3) These shares were held by Best Top Offshore Limited, a company which is wholly owned by Mr. Shan Shiyong, alias, Sin Sai Yung.

Save as disclosed above, none of the directors and the chief executive of the Company was interested or had any short position in any shares, underlying shares or debentures of the Company and its associated corporation (within the meaning of Part XV of the SFO) as at 30 June 2012.

(II) SHARE OPTIONS

The following table discloses movements in the Company's share options during the six months ended 30 June 2012 under the Old Share Option Scheme and Existing Share Option Scheme:

Old Share Option Scheme

	Date of share options granted	Exercisable period	Exercise price per share	Number of share options			Outstanding at end of the period
				Outstanding at beginning of the period	Granted during the period	Lapsed during the period	
Category:	08.05.2007	08.05.2007 to 07.05.2012	HK\$2.42	440,000	-	(440,000)	-
Employees	08.05.2007	08.05.2008 to 07.05.2012	HK\$2.42	450,000	-	(450,000)	-
Category:	08.05.2007	08.05.2007 to 07.05.2012	HK\$2.42	24,300,000	-	(24,300,000)	-
Consultants							
Total				25,190,000	-	(25,190,000)	-
Exercisable at the end of the period							-
Weighted average exercise price (HK\$)				2.42	-	2.42	-

Existing Share Option Scheme

	Date of share options granted	Exercisable period	Exercise price per share	Number of share options			Outstanding at end of the period
				Outstanding at beginning of the period	Granted during the period	Lapsed during the period	
Category: Employees	09.10.2007	09.10.2007 to 08.10.2012	HK\$1.80	3,600,000	-	-	3,600,000
	08.11.2007	08.11.2008 to 07.11.2012	HK\$2.12	200,000	-	-	200,000
	29.01.2011	29.01.2011 to 28.01.2016	HK\$0.10	33,000,000	-	-	33,000,000
Category: Consultants	09.10.2007	09.10.2007 to 08.10.2012	HK\$1.80	22,800,000	-	-	22,800,000
	29.01.2011	29.01.2011 to 28.01.2016	HK\$0.10	33,000,000	-	-	33,000,000
Total				92,600,000	-	-	92,600,000
Exercisable at the end of the period							92,600,000
Weighted average exercise price (HK\$)				0.5890	-	-	0.5890

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 30 June 2012, according to the register of interests kept by the Company under section 336 of the SFO, and so far as was known to the directors or chief executive of the Company, the following persons, other than directors or chief executive of the Company, had an interest in the shares of the Company, which would require to be disclosed by the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of the Company:

Name of shareholder	Nature of interest	Interests in shares (other than pursuant to equity derivatives)	Approximate aggregate percentage of interests
August Profit Investments Limited ¹	Corporate interest	286,967,200	10.10%
Best Top Offshore Limited ²	Corporate interest	260,975,800	9.18%

Notes:

- (1) August Profit Investments Limited is wholly owned by Mr. Jay Chun.
- (2) Best Top Offshore Limited is wholly owned by Mr. Shan Shiyong, alias, Sin Sai Yung.

Save as disclosed above, as at 30 June 2012, the Company had not been notified of any person or corporation who was interested in or had a short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of the Company.

CHANGES OF DIRECTORS' INFORMATION

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

The annual salary payable to Mr. Jay Chun and Mr. Shan Shiyong, alias, Sin Sai Yung, executive directors, has been increased from HK\$2,268,000 and HK\$2,400,000, respectively, to HK\$12,000,000 and HK\$12,000,000, respectively.

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

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2012.

AUDIT COMMITTEE

The Audit Committee has reviewed with the management the accounting policies and practices adopted by the Group and discussed auditing, internal control and financial reporting matters, including the review of the unaudited consolidated financial statements for the six months ended 30 June 2012.

NOMINATION COMMITTEE

The Nomination Committee was established by the Board with written terms of reference on 30 March 2012 in order to comply with the amendments to the Listing Rules.



COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE AND CORPORATE GOVERNANCE REPORT

The Company has complied with the code provisions as set out in the Corporate Governance Code and Corporate Governance Report (the "Code") which was revised and took effect on 1 April 2012, as well as those of the former Code, as contained in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2012, save for the following deviations:

CODE PROVISION A.2.1

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

Mr. Jay Chun is the Chairman and the managing director of the Company. In the opinion of the Board, the roles of the managing director and the chief executive officer are the same. The Board considers that the present structure provides the Group with strong and consistent leadership and allows for efficient and effective business planning and execution. Hence, the Board believes that it is in the best interest of the shareholders of the Company that Mr. Jay Chun will continue to assume the roles of the Chairman of the Board and the managing director of the Company. However, the Company will review the current structure as and when it becomes appropriate in the future.

CODE PROVISION A.4.1

Under this code provision, non-executive directors should be appointed for a specific term, subject to re-election.

Currently, none of the independent non-executive directors is appointed for a specific term. However, all independent non-executive directors, whether they are appointed for a specific term or not, are subject to retirement by rotation and re-election at least every three years at the annual general meeting of the Company in accordance with the provisions of the Bye-laws of the Company, and their appointment will be reviewed when they are due for re-election.

CODE PROVISION A.6.7

Under this code provision, independent non-executive directors should attend the general meetings. However, the independent non-executive directors were unable to attend the annual general meeting on 1 June 2012 for they were engaged in other commitments of the Company.



CODE PROVISION E.1.2

Under this code provision, the chairmen of the board, the audit committee, remuneration committee, nomination committee and any other committees should attend the annual general meeting.

The annual general meeting held on 1 June 2012 was chaired by Ms. Ho Suet Man, Stella, a duly appointed proxy of a shareholder, instead of Mr. Jay Chun or the chairman of the audit committee, remuneration committee, nomination committee or 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.

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

The Company has adopted the Model Code as its code of conduct regarding directors' securities transactions. Having made specific enquiry of all directors, the directors have confirmed that they have complied with the requirements set out in the Model Code during the six months ended 30 June 2012.

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

Hong Kong, 30 August 2012

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